With Our Readers

Sirs:

L. K. A., Fort Smith, Ark., in your issue of August 3, 1935, asks the question, "To whom is President Roosevelt a dangerous man?" He then follows with another question, if he is dangerous to those he has helped.

Now and then we see in the papers the statement that Mr. Roosevelt is undermining the morale of the laboring man. If that is true, is there not danger in such a proceeding? What is the situation? For nearly two years money has been spent in "work" projects. Can L. K. A. point to any "work" project where there has been a 50 per cent return on the expenditure? Will not an honest survey show that at least 75 per cent is wasted? If L. K. A. will study some of these projects he is apt to find a lot of the men talking communism. He is sure to find thousands who want and expect to keep on working for Uncle Sam. They are honest and well meaning men, not well versed in finance and economics, but they believe Uncle Sam is rich and can keep on passing out this easy money indefinitely.

Who will disillusion these men? Will the National Government unravel the tangle it now finds itself in or will it pass the problem to the states? There is no escaping the fact that the foundation has been laid for something that has serious possibilities.—L. B. T., San Francisco, Calif.

Sirs:

It is amazing how little attention men are giving the rapidly changing economic conditions. There seems to be a general lack of vision or blindness to the real issues to be faced. For example on the holding company dispute all efforts by the Government are directed to show not that the public owned utility could be run cheaper and more efficiently with less graft and political subterfuge; but that the men at their heads have received enormous salaries and that they have dared to spend their own money which the Government maliciously calls the consumers' money to defend their rights under the Constitution of the United States.

And if the President of a utility has robbed me, a stockholder, by paying himself and directors too high a salary is it any form of justice that the Government shall come in and rob me of the few dollars I have left? I agree that all public utilities should be supervised as to fair profits and that any abuses by officials should be taken out of the officials and not transferred to the innocent stockholder. As I wrote our President, we need not fewer holding companies but more and bigger holding companies because of their great power over economic and financial conditions. The combined efforts of a dozen vast interlocking holding companies which could control say 80 per cent of all our industrial enterprise could work as a unit and promptly eliminate any ordinary depression as soon as it showed its head.

As it is under present conditions each individual unit working to prevent depressions are of no avail. They are like raindrops driving through a sieve. No different than a football team trying to make first down without any interference. There is a definite proportion between agriculture, industrial and financial conditions that makes prosperity and no matter how hard the government shall try it cannot shackle industry to help agriculture; or finance to help either of the other two. It is the free exchange, the lack of friction between all three that makes prosperity and profit.—A. D. B., Fairhaven, Mass.

Sirs:

It is estimated that the population of the United States is now about 125,000,000. If we assume five people per family, we have 25,000,000 families. The annual domestic electric bill is said to be approximately \$650,000,000. This would show an annual per capita cost of \$5.20 and per family \$26.

The increase in our national debt since the New Dealers took over, amounts to around \$9,000,000,000, or the difference between twenty billion in early 1933 and the estimated twenty-nine billion today. This increase alone thus figures out at \$72 per capita and \$360 per family, and an annual increase of about \$24 per capita and \$120 per family. And what did we get for the money? This does not take into consideration either the increase in state and municipal debt, nor the contingent liabilities of the Federal Government, and their consequent tax burden per capita and per family. It has been estimated that Federal guarantee of this and that, contingent liabilities, now amount to around four billion—\$32 per capita and \$160 per family. How much salvage there may be from this may be indicated by the recent report that 20 per cent of the Home Owners Loan Corp. borrowers are in default over 90 days.

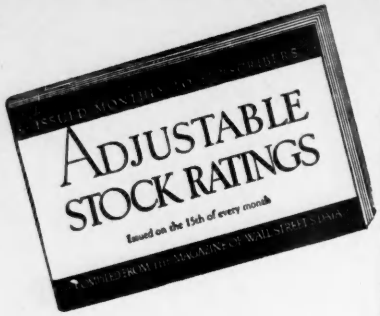
Assume a carrying charge of 3 per cent for interest and only 1 per cent for sinking fund on the New Deal created additional debt alone and we have \$360,000,000. This figures out at \$2.88 per capita and \$14.40 per family, per year. This carrying charge alone, on the increased direct Federal debt alone, figures out at 55 per cent of the annual electric bill.

Assuming around \$6,000,000,000 currency in circulation at the time of gold devaluation (approximately 40 per cent), we have \$2,400,000,000 of its value confiscated by the Federal Government. This amounts to \$19.20 per capita or \$96 per family. And, similarly, if we apply the same treatment to roughly forty billion of bank deposits, the Government's gold action took \$16,000,000,000 of the depositors' money, or \$128 per capita and \$640 per family. Thus, the value of the people's currency, wiped away by New Deal legislation, amounted to nearly four times the annual electric bill. The value of the peoples' bank deposits similarly treated, amounted to about 25 times the annual electric bill. And what did we get for this sacrifice?

If the foregoing figures are only approximately correct, and they are based on estimates believed to be as correct as possible to secure, the case against our tax-eaters is thoroughly bad. Under the circumstances, it becomes even more difficult to see why our political supermen waste so much of their time in trying to destroy a necessary industry, whose per capita or per family cost is of such moderate proportions.

Is it not obvious that the results, so far as all of us are concerned, could be vastly better if our "statesmen" laid off the utilities and devoted some of their zeal (?) for the national good (?) to a reduction of debt and taxes? Is there much sense in shooting at pigeons when bear is in sight?

Isn't it reasonable to suppose that the opportunity for "saving the pee-pul" is far greater in the larger item of expense? What's the sense in indulging in expensive interior decorating when the house's very foundation is being knocked from under it?—R. D., Parkersburg, W. Va.



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WITH THE EDITORS

The Lure of Small Profits

THE fellow who buys a stock for a trade and when it goes against him holds for "investment" is no less ridiculous than the man who buys for investment and sells on a five-point profit. Yet many of us fall in the latter category. After having purchased a stock on a favorable basis we fall victim to "quotations." This affliction takes many forms, with the investor bemoaning the fact that he did not buy more, buy earlier, and wondering if he should take the few points profit now offered. The latter form carries great potential danger as, the urge to take profits in sound stocks is always strong with the average individual, and of course it naturally has become doubly strong after several "lean years." However, the investor who, after careful deliberation and thorough analysis, purchases a sound stock in the early part of a recovery phase with the firm intention to hold as long as the general business picture remains favorable, and who sells on snap judgment merely because a profit of a few points is available, has taken the first step toward defeating himself financially.

Hasty selling of sound, dividend paying securities, for no other reason than a profit is available, will eventually destroy the average investor's perspective, and lead him into unsound situations. He becomes frantic as he watches his carefully selected original issue climb to new heights, and realizes that he sold at a small profit almost at the beginning of a major upward move. In desperation, he may hurriedly purchase another stock, perhaps a less desirable one, in his haste to "get abroad." While the second commitment may work out satisfactorily, the odds are against it, as the individual has now become something between an investor and a speculator, without possessing the sound characteristics of either.

The speculator who buys an issue to take advantage of some impending development in a company is satisfied with a quick profit of a point or two, as this fulfills the objective he set when he made his commitment. He will not suffer mental anguish if the stock rises several more points.

The strict investor, however, will do well not to watch day to day price fluctuations too closely in those issues which he has purchased for longer term retention, unless, of course, the business outlook has actually changed. When tempted to take a small profit in a sound, dividend paying stock, the average investor should ask himself, "can I actually employ this money to better advantage elsewhere in the market, has the outlook for these securities changed, or am I considering selling merely because there is a paper profit of a few points?" If the latter, he is speculating, not investing.

In the Next Issue

Evaluating Individual Public Utility Issues
How Wheeler-Rayburn Legislation Affects Your Company

By FRANCIS C. FULLERTON

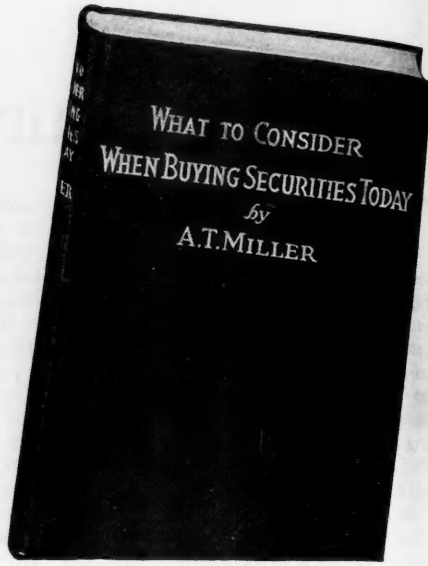
Business Prospects for the Fourth Quarter With a Forecast of All Important Industries

By JOHN D. C. WELDON

Is the Oil Outlook as Threatening as It Seems?
Can Production Be Controlled Without Government Aid?—Will Development of the Diesel Engine Affect Longer Range Outlook?—Are Solidified Fuel and Lubricants Practicable?

By BARNABAS BRYAN

You Can Still Have a Copy of This Important Book—Free



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—Selecting bonds from the low-priced list.
—Judging foreign bond values.
—When to look for profits through receiverships.
—Opportunities in railroad bonds.
—Detecting the real opportunities for profit in bonds.
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The Trend of Events

BREATHING SPELL

PRESIDENT ROOSEVELT announces that his reform and recovery program has now reached "substantial completion" and that a "breathing spell" for business is here. This is good news—as far as it goes—but it is much less than a complete statement of policy. It is, of course, essentially a defensive statement, leaving unrevealed more than it reveals.

The term "breathing spell" is not a happy one, carrying the implication of a lull in a storm. In view of the fact that Mr. Roosevelt has shifted his course often, it is fair to say that the words "substantial completion" may mean much or little, depending, as heretofore, on the course of events. Again, the reality is that the basic New Deal program is "substantially complete" only on paper. The passing of a law doesn't complete anything but merely begins it. Part of the program already has been knocked out by the Supreme Court. Some of the rest very likely will be.

What then? Mr. Roosevelt had much to say about our "horse and buggy" Constitution when the N R A went by the board. This issue and the issue of a still mounting Federal deficit are the most important sources of business uncertainty and fear. Both are overlooked or ignored in the President's pleasing generalities. Can it be that politics, rather than sympathy for business, suggested this partial assurance?

THE BUDGET

THERE are whispers from Washington that Secretary of the Treasury Morgenthau is beginning to think that the Administration ought to begin to think about balancing the budget by 1939. In a recent brief address by the President it was hinted that the Administration "might not have as much money" next year as it has this year.

It may be that these are significant straws in the wind. On the other hand, they may not be. It is a delicate subject—this business of balancing the budget. The New Dealers appear reluctant to discuss it officially. The last one who strongly urged a balanced budget—former Budget Director Douglas—found the Washington atmosphere so chilly that he resigned.

Nevertheless, it begins to appear that free spending habits beyond a certain point tend to become a political liability. Whatever Mr. Roosevelt's budget balancing abilities may be, there is no question of his political sagacity. We venture the guess that along about next January, in his annual budget message, he will do a partial about-face on Federal spending. Such a move would to some extent tone down an otherwise difficult issue in the 1936 campaign.

Fortunately, an actual budget balance may not lie as far in the future as is commonly believed. On present tax rates, a recovery of economic activity to even 90 per cent of normal would yield a vast increase

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS
1907 – *"Over Twenty-Seven Years of Service"* – 1935

in Federal revenues. The increase for the 1935 fiscal year over 1934 was 22 per cent. A similar increase in the present fiscal year would balance the budget if relief expenditures were reduced to $1,500,000,000 and if no allowance were made for debt retirement. If business continues to recover, our budget worries undoubtedly could be eliminated by 1939. The relief burden is the heart of the problem.

TWO PLUS TWO EQUALS FIVE

NOW that the drastic Wheeler - Rayburn bill has become law after long and bitter controversy, the public utility industry, according to Basil Manly, vice-chairman of the Federal Power Commission, "will settle down and enjoy a long period of stability and prosperity." The uncertainty is over and the utilities can safely plan for the future. Demand for electricity is increasing by leaps and bounds and present facilities will soon be inadequate. In fact, says Mr. Manly, $2,000,000,000 is a "conservative" estimate of what the industry will have to spend in the next few years in enlarging its capacity.

The uncertainty is over? What of the Government's plans to go right ahead competing with the utilities in its various "yardstick" projects? What of the continuing loans of public money to municipalities, plus a 45 per cent outright grant, in order that municipal power plants can be set up to put private plants out of business?

Pooh! Pooh! The threat of municipal power plants, explains Mr. Manly, will act as a stimulant to private company expansion! Yes, indeed. Black is white, and two and two make five, and private capital just loves to barge ahead in a thrilling atmosphere of kicks, threats and uncertainties. Plainly, reasonable long-term security for private enterprise is just old-fashioned dogma, out of place in the enlightened New Deal.

We think there is only one word which fully and accurately fits Mr. Manly's reasoning—absurd.

NOVEMBER MOTOR SHOW

APPARENTLY the public, or a large section of it, is oblivious of the fact that the 1936 model automobiles will be presented at the industry's national show early in November, instead of in January as formerly. Usually retail sales of cars take a marked slump as new model time draws near, for obvious reasons. This year, such recession has been surprisingly moderate. Either the tradition of the January show has not yet been uprooted in the public mind or many people are too avid for new cars to wait for 1936 models. The latter is a bit difficult to believe.

Weekly production of 1935 cars has dropped under 50,000 units, but still remains far above output for the same time last year. The 1936 preliminaries already are in full swing, with the parts makers busy. Within a very few weeks the new models will be rolling off the assembly lines. It may be that we will eat a tiny bit of what would otherwise be next January's business cake, but few will worry about that. Moving up the automobile year by two months can not fail to give an additional impulse to autumn industrial activity.

SILVER KEEPS THE DOLLAR DOWN

THE recent decline of foreign gold currencies in terms of the dollar again make it probable that the United States will experience an even greater influx of gold. Last year, our importation of more than $1,200,000,000 in gold was the most striking feature of our balance of international payments and the inflow has continued since. On September 4, the Treasury reported that our silver purchases since the adoption of the new silver policy aggregated more than 500,000,000 ounces and that this, together with what was previously held, brings total American silver stocks up to more than 1,159,000,000 ounces, having a monetary value of nearly $1,500,000,000. These are astronomical figures; what do they mean? They are a blunt indictment of our monetary and foreign trade policies; they are clear evidence of the dollar being grossly undervalued in terms of foreign currencies. We do not want all this metal, neither the gold nor the silver. We are receiving it only because, in order to export, the United States must import. But imports of manufactures compete with home industries, so we import metal. Is it wise really to exchange our soil's fertility, our brains and labor, for heaps of sterile metal?

Our Treasury, by buying pounds and utilizing the pounds to buy silver in London, keeps the pound up and the dollar down. South Africa and Australia are pleased as Punch to mine gold, sell it to the United States Treasury at a high price, and with the dollars so obtained buy things that are useful in themselves, American automobiles, refrigerators, etc. As a consequence we rejoice in our export trade. It is a situation that cannot last. When we have acquired all the metal that it is convenient for foreigners to let us have, they will merely put an embargo on further shipments. The dollar will then soar, our export trade will dwindle correspondingly—if we have not already thrown it away as in the case of cotton—and we shall be left to derive what solace we can from contemplation of mountains of metal which can only be exchanged in terms of useful goods for about half the amount paid.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 524. The counsel embodied in this feature should be considered in connection with all investment suggestions, elsewhere in this issue. Monday, September 9, 1935.

Taxes the Most Pressing Problem of Management

Stockholders, employees and taxpayers of all kinds must be organized for self-preservation—Taxes now threaten business existence —The public must be told the facts.

DONALD D. DAVIS
President, General Mills, Inc.

THE matter of handling the tax problems of a corporation has in times gone by been a relatively simple one. As the tax burden has grown progressively in the past decade, however, the problem has become increasingly difficult until today the burden is so great as to be almost destructive of business, and certainly has reached the point where an increasing share of the taxes cannot be passed on to the consumer in higher prices if satisfactory volume of sales is to be maintained. The tax problem thus becomes one of the most compelling that faces management today.

In industry and business, if taxes cannot be passed on, earnings and dividends are curtailed and inevitably, if the tax burden becomes top heavy, accumulations of surplus for growth and expansion are lessened if not entirely destroyed. It is lamentable to observe, in those countries that have diverted the wealth of the nation from productive to non-productive uses through excessive taxes, the decline of their industries through obsolescence and the decay of their businesses through the gradual depletion of capital.

The tax problem confronting the management of business and industry in this country today is not one of efficiency in the adaptation of accounting procedure, in the adjustment of inventory position, in the location of plants, nor securing of equitable assessments, etc.—all of the efficiency possible in the internal administration of corporate affairs will not solve the main problem.

The solution today lies almost wholly in the political field and the management of corporate industry and business is estopped by law from entering that field. But stockholders of corporations are not so estopped and it is plainly the duty of management to inform them of the forces and activities that are jeopardizing their investment and to urge them to take proper political steps to protect their interests.

The employees of business and industry are as vitally interested as either the management or the stockholders in the non-productive and wasteful Governmental expenditures that have resulted in these high taxes. They bear an undue share of this tax burden through an increased cost of living and some, unfortunately, through the loss of employment. Most of them are ignorant of the indirect taxes that they are paying and the dangers of unemployment to which they are subjected from exorbitant tax burdens. They also need to be informed so that they may take the proper action to protect themselves and their jobs.

Taxpayers, generally, are unorganized and uninformed. They are the backbone of this or any other country; they are the producers, the savers, the law abiders. Unorganized they are the greatest present-day prey of the selfish and unscrupulous politician, who is willing to sacrifice these deserving citizens for the undeserving, if this sacrifice serves a political career. Informed and organized, these taxpayers have great political power for they are in the majority. They have the power to stop waste and extravagance in the Government and to obtain security for the results of their labors and sacrifices.

The education and organization of stockholders, employees, and taxpayers is the only practical solution of the tax problem facing management today and the problem that must and will be solved.

The public must be told the facts.

Donald D. Davis.

One of a Series of Guest Editorials by Leading Men of Industry

¶ *A Respite from Governmental Interference Is Promised*

¶ *Production and Trade Pointing Toward Active Autumn*

Stock Market Watches Business

By A. T. Miller

A STOCK market that shows a strong reluctance to go down after protracted advance invariably invites another speculative push on the upside. Such has been the trading pattern over the past fortnight, a pattern, indeed, that has been followed at intervals for six months. The moderate shake-out shortly prior to Labor Day having failed to induce any "follow through" of liquidation, the resumption of business after the holiday found the market quiet and firm. Sensing the absence of pressure, speculative demand promptly revived.

The result, as this is written, has been another step-up in the long and irregular advance of recent months, with speculative leadership centering in industrials. A considerable number of favored industrials have reached new highs for the year, a performance not particularly difficult, of course, since the level from which the latest rally started was only a couple of average points below previous top prices. Riding the speculative wake of the industrials, rails and utilities have moved moderately higher. With general optimism for the autumn business trend still strong, there is no gainsaying that at least for the immediate future the bull cause continues to have the best of the argument.

Time for New Commitments?

Yet the current technical indications never have the same significance for all potential buyers of equities. We may divide them, roughly, into three general classes: quick-turn traders, traders for intermediate swings and investors concerned with the longer outlook. It need hardly be said that the always risky game of quick-turn speculation is not the province of our bi-weekly market comment. The question before us is not the immediate rally, therefore, but whether the present setting is an opportune one for intermediate trading commitments or new investment purchases.

On the one hand, the autumn business prospect is favorable; and, in addition to the prevailing optimism centering on this relatively short term, underlying optimism for the "pull"—or for 1936—appears to be increasing, supported as it is by evidence of a cumulative and spreading economic recovery. One must take into account that the latter underlying sentiment may be substantially fortified by a surprise package of good news received as this article is written: namely, the announcement by President Roosevelt that his basic program of reform and recovery has now reached "substantial completion" and that a "breathing spell" for business is here at a time when, in the President's opinion, "conditions are such as to offer further substantial and widespread recovery."

On the favorable side also the brokers' loan figures continue to reflect the apparent absence of a serious overspeculation. During the month of August loans of Stock Exchange member firms increased only $3,106,720; and total loans of $772,031,468 on September 1 amounted to only 1.94 per cent of the total value of all listed stocks. Technically, it can be contended with much logic that the churning around of prices throughout August, without more than minor advance, served to provide needed internal speculative correction, in much the manner that similar periods of hesitation at intervals for months past had served as substitute for corrective reaction.

Discounting the Future

On the other side of the case, an advance of wide scope lasting, as has the present movement, for approximately six months without more than minor reaction is an unusual phenomenon even in the best of bull markets. Second, the advance can logically be considered to have discounted an excellent autumn business trend, the development of which has been expected for weeks and will be no surprise. Third, a great many stocks are discounting corporate earning power for beyond the autumn season and deep into next year, this being particularly true of numerous "capital goods" issues which to date have only nominal earning power or none at all. Fourth, prices and dividend yields have gone far, if not completely, toward adjusting themselves to prevailing low money rates. Fifth, so far as optimism for the "pull" is concerned, the President's assurance that his reform program has reached "substantial completion" must be weighed against the reality that the 1936 Presidential election politics is already gathering momentum and will increasingly do so henceforth. Together with this, one must bear in mind that, on the record, consistency is the least of the President's virtues and the words "substantial completion" of reform may mean much or little.

Weighing the above factors, this publication leans to the cautious side in market policy for the present. Pending a reaction worth waiting for or clear evidence of a brighter business prospect than can now be seen with the naked eye, we advise that most purchases be deferred. We believe, further, that in searching out equities for opportune acquisition prudence calls for increasing discrimination between issues supported by *current* earning power and stocks priced on the basis of an assumed earning power to be developed some time next year or later. To this end, we believe that various "consumption goods" stocks have been made relatively attractive by the disproportionate advance

of speculative "capital goods" stocks. Specific issues worthy of consideration are analyzed on following pages of this and other issues of THE MAGAZINE OF WALL STREET.

Discrimination Essential

As a matter of fact patience and discrimination have been the money-making requirements in this market for a long time. One can easily get a false picture by too closely following a price "average," especially one constructed of a limited number of stocks. Consider the fact that the aggregate value of all stocks listed on the New York Stock Exchange on September 1, 1933, was $36,669,000,000 and two years later, on September 1, 1935, was $39,800,-000,000—a gain of about 9 per cent, some of which, moreover, represented new listings. Yet during these two years many stocks have doubled, others have declined and still others underwent no substantial change. It is not a record that justifies a buying itch every time the market treats itself to a concentrated rally. On the contrary, it is a record that shows that stocks move all sorts of ways even in a persistent bull market. United States Steel, to cite a single speculative favorite, was higher in the summer speculation of 1933 than it has ever been since.

Generally speaking, the current business records support the prevailing expectation of a gratifying autumn activity. Steel operations are at 50½ per cent of capacity or ½ point higher than for the preceding week. Thus, the Labor Day holiday's depressing effect on producing activity proved of very brief duration. Finishing mill operations were more sensitive to the holiday influence than raw steel output. There has been a relatively sharp, but largely seasonal, decline in tin plate production and a 10 point recession in sheet mill operations. From the latter a prompt rebound is looked for in the industry.

The present steel operating rate is especially favorable when allowance is made for the decline in tin plate output and the temporarily curtailed production of automobiles, pending the change-over to 1936 models. Miscellaneous demand, including steel for machinery and equipment, continues to bulk large in supporting the 50 per cent rate. With the parts makers already busy, an increased flow of steel for the motor industry can be forecast over the next few weeks. Structural and railroad steel continue the most depressed sections of the industry.

Although the automobile sales figures for August are not complete as this is written, first reports indicate beyond much question that the gain over the comparable period of 1934 has continued at approximately the level of July, or about 25 per cent. This is rather surprising, in view of the fact that the 1936 models are scheduled for national showing early in November or two months in advance of last year. As a result of the continuing strong public demand—a demand which is either ignoring the earlier presentation of new models or is oblivious of it—the industry will shortly wind up production of 1935 cars with dealer stocks well depleted and thus will be off to a favorable start on the new season. The stock market appears virtually as optimistic on the motor outlook as the industry itself, for the leading motor and accessory shares continue to hold a goodly part of the limelight.

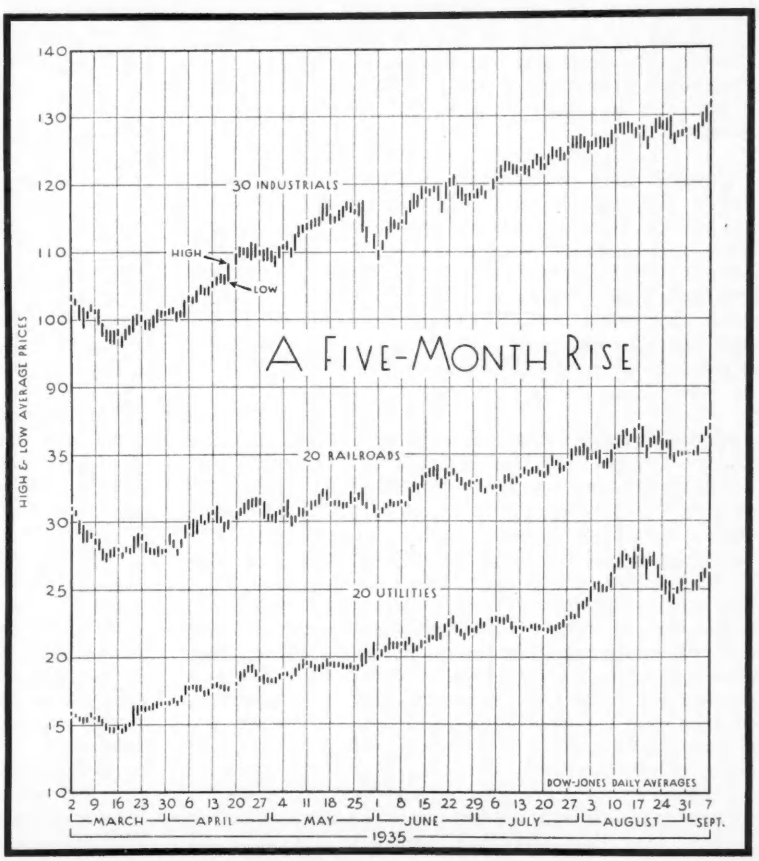
The creeping recovery in construction, residential and industrial, has not yet suffered any appreciable set-back, though the time of seasonal tapering off draws near. The level of activity, it need hardly be said, is still a very low one, relative to any estimate of normal. It has far to go, and speculators in stocks of companies affiliated with construction evidently believe it *will* go far, for they have bid various building shares up to new highs and, incidentally, to prices which discount probable earnings for some time ahead.

Favorable Trade Trends

Electric power output remains close to a record high level for this season. The seasonal movement of farm products, plus revival in coal shipments and the rising tempo of general business, is holding total car loadings moderately above the level of a year ago. On the other hand, the fundamental difficulties of the railroads and the political uncertainties surrounding the utilities continue to restrict capital expenditures by these two industries, expenditures badly needed to support anything like a full recovery in the heavy industries.

In the consumption goods and service lines current activity remains well above the year ago levels, though in some directions, for example, mail order sales, the present year-to-year comparison is somewhat less favorable than it was in July. Moreover, it now is open to some question whether farm purchasing power during the remaining

(Please turn to page 562)



Happening in Washington

By E. K. T.

Business optimists, looking through roseate Administration spectacles, predict a humming fall season, and a booming 1936. Asked for a bill of particulars they will hand you a pailful of statistics, including such claims as these: Check transactions up 25 per cent as compared with a year ago; furniture industry back to its pre-depression high of 1926; retail trade 10 per cent better than in 1934; stock prices 20 per cent higher, with volume 150 per cent up; steel output twice as high, commodity prices up 7 per cent, farm products prices up 20 per cent and volume larger in almost all field crops, residential building doubled, electric production 5 per cent higher. Factory production is only slightly up and employment has, alas, slightly declined—but "wait until November," when the $4,000,000,000 of relief money will be dashing through the business turbines.

Relief spending has swung further in the direction of useless spending, and the emphasis is more than ever on rapid distribution of funds. The slogan is: "Spending, may it always be right, but spending, right or wrong!"

Congress is now listening to the voice of its ultimate master. So long as it was in the heat of action the effective boss was the President, but now each individual member is listening to the voice of the people. If one could listen in on the thousands of interviews that are going on between members and constituents he would receive information that would enable him to forecast the course of the next session of Congress, outline the strategy and tactics of the 1936 electoral campaign, and foretell the policy of the White House in the next year.

Nobody really knows what the mass judgment of the country is on the New Deal in the light of its works. But within the next few months every member of Congress will come to a conclusion as to what the people of his district think. He already knows from his correspondence what the rank and file of business men think, but now he finds himself face to face with the men he has known from childhood, and what they will say to him in language more violent and picturesque than they use in correspondence will profoundly affect him, except in those numerous constituencies where the mass opinion of organized labor and the farmers is what concerns him most. He knows in advance what the labor leaders and farm leaders will *say* to him, but he will endeavor to learn what the rank and file of both groups *think*.

Business men should be warned that what he hears and concludes may on the whole be vastly different from what they would infer from what they hear and see in their own circles. For the most part inquiring Congressmen will be entirely realistic. Their business is politics, and success in it means re-election. If you could obtain a composite of their real conclusions within the next few months you could foretell with certainty what is going to happen politically next year.

The President and the Administration will in the meantime press forward administratively to the boundaries of New Deal laws and projects.

But "constructively". There will be more emphasis than in the past on business recovery and the absorption of the unemployed, and the New Deal will be pictured more as an agent of immediate recovery and prosperity than as an abstract social philosophy aimed at a remote Utopia. With far more people unemployed now than when the New Deal was launched, it is supremely important that large gains in real employment shall be recorded long before the polls close.

Only recovered and eager business can meet this demand. The President knows that, so does Jim Farley and all his lieutenants. So, stress will be put upon every phase of the New Deal policies which can be used to increase business activity—boosting and maintaining the prosperity of the farmer, promoting residential building revival, rapid spending of work-relief funds. At the same time labor will be petted and the so-called liberals will be regaled with echoes of their own errant thoughts. More trust is placed in the production of a building boom than in anything else.

But the money factor will not be overlooked. New Board of Governors of the Federal Reserve will be dominated by Eccles and his idea that credit use can be artificially forced, which is to say that credit inflation will be implemented to the fullest "desirable" extent.

"Breathing spell" for business announcement is part of a carefully considered plan to placate business and regain wavering New Deal supporters. The truce is intended to apply until election, but President's positive genius for inconsistency prompts caution, even among his intimates, in accepting it at par. On its face it is taken to mean dropping of N R A revival at next session of Congress, and no important "reforms" during that meeting. Almost as grateful to business is the announcement that the proposed expenditures of the emergency agencies for the fiscal year 1936-37 must be scrutinized by the Bureau of the Budget. Hailed as the initiation of fiscal economy at last.

Indications appear that business will be non-partisanly organized against the President in the coming campaign. His policies are class policies and he must count on favoritism raising up opposition.

Chances are that the Democrats will have little financial help from business groups. It will be as dangerous for corporations to give as not to give. A gift will appear in the light of bribery, refusals are expected. Difficulties in clearing up the deficit of the Democratic national committee in the 1932 campaign indicate that the most partisan administration of government employment in forty years does not promise the campaign funds which will be necessary.

The coming campaign will be the costliest as well as the bitterest this generation has known. All thought of pussyfooting is being abandoned by the Roosevelt opposition. It will be a fight to the dagger and the dagger to the hilt.

Republican and Democratic opposition to Roosevelt includes most businessmen, probably seven out of eight. They are in the embarrassing fix of desperately needing prosperity and yet knowing that the more prosperity there is in 1936 the fewer votes they will have.

Apprehension that recreating prosperity now is to forge the chains of bureaucratic repression on business in the future is possibly accountable for some of the reluctance to admit that the prosperity train is on its way. Financiers and business men who were in Washington when the servile, hard-working and fagged out session of Congress came to its ignominious end, under the Huey Long dictatorship of the midnight hour, frankly formulated the dilemma of actively boosting recovery now: "It is all but certain that energetic business progress next year entails more and more newdealism and the eventual decline of capitalism before state control."

A financier who has been thwarted by the tightness of the strings that hold back the golden hoards of the bulging money bags told me that he was convinced that there is an element of reprisal in the situation. "It is too much to expect capital to be keen to destroy its foundation for the sake of rearing the superstructure higher at this politically-critical juncture."

Washington Sees—

Home returning Congressmen listening to their masters.

President finding compensation for waning respect in solid legislative triumphs.

Potato control a dangerous "bear by the tail."

Lines of 1936 campaign forming around straight two-party machines.

Furious relief spending by November.

Good business this fall—humming next year.

New Deal to drive on but to be shaped administratively for business help.

"Breathing spell" to last until election.

Conservative business in a dilemma between needed recovery and political consequences.

Supreme Court to monopolize the spotlight.

Business to organize against New Deal.

Makings of the bitterest campaign in a generation.

Dynamite is in the dilemma. Once the Administration is convinced that there is a purposeful strike of capital, there is a likelihood of extreme gestures in the direction of state capitalism. It would not be a far cry from what P W A has done and the Works Progress Administration is doing now in the way of free grants to political subdivisions to a fixed policy of state subsidization of favored industries. Through its H O L C and Farm Loan policies the Government is already far advanced in the investment banking field, R F C is a mighty loan bank with a grip on 4,000 private banks, the reorganized Federal Reserve holds out possibilities of a dictatorship of banks and the Treasury with its gold profit funds can if it wishes blast the ground from under the Federal Reserve Board's policies should they prove "subversive."

Rising tide of business recovery renders futile any studied resistance to governmental policies which, while making for immediate business revival, contain the seed of future economic heresy. Barring extraneous hazards and upsetting events such as currency inflation, the opinion seems to be general that the slowly rising tidal wave of recovery can not be stopped either by government flops or isolated private disinclination to participate.

Irony of fate is that as the material condition of the nation improves the President's popularity declines. In his own party it has almost disappeared emotionally, although it persists as a matter of practical politics. White House gyrations on the cotton loan policy, although they finally came to giving demagogic Southern Congressmen all that they wanted, if not in the precise form demanded, have left a bad taste. They have augmented the growing conviction among even the President's warmest supporters that there is something subtly illusive about his promises, something independable in his assurances, something persistently elusive in his expression of intentions.

This, together with the fact that a politically loyal Congress has voted the President about what he has wanted or demanded, despite the indisputable fact that at heart a majority were opposed, creates a situation full of explosive possibilities—not only for the election year but for the next Olympiad should the Democrats win in 1936.

Lines of the 1936 campaign will emerge rather sharply between now and the reassembling of Congress. All thought of a Roosevelt era of good feeling (recalling the disappearance of parties in the time of President Monroe) has long since vanished. At the moment, too, there seems to be little prospect of a conservative fusion party, and no prospect of a Conservative Democratic bolting ticket. Neither is there much encouragement for new third parties nor for the party socialists. Present tendencies are toward a straight two-party fight, with the Republicans tending to shape alignment more on the basis of division between loyalty to American political principles and the worship of false gods rather than on traditional party differences.

The Democrats have irretrievably, if misgivingly, committed themselves as a party to fearsome radicalism, and so the battle promises to be a straight-out fight between American liberalism and imported radicalism,

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Real Estate Turns Up As Mortgage Money Eases

Insured Loans, Increased Willingness of Banks and Insurance Companies to Take Mortgages and Lowering Rates Spurs Building and Realty Values

By Ward Gates

FULL recovery in residential construction, ardently desired by all as a base for normal economic revival and re-employment, depends upon a variety of factors but the first and most absolute of these is the availability of mortgage money at reasonable terms. Without it, there can be no such thing as a mass market for new houses. Every other influence is relative and subject to change.

The depression debacle in real estate and construction was to a major degree a debacle in credit. The revival now visibly and encouragingly under way is in a major degree founded upon, first, a substantial thawing out of frozen credit and, second, a stimulus to new credit.

Reversal of Sentiment

The change for the better that has come over the mortgage money market during the past two years, moderate as it is, is literally an astounding one. As late as the autumn of 1933, when deflation clearly had been halted and the economic cycle plainly had turned upward, the potential home builder found mortgage money extremely difficult to obtain, no matter how conservative the desired loan in relation to the value of the project. On the surface real estate still seemed almost hopelessly frozen. Land values and rentals still dragged along the depression bottom.

It can not truthfully be said that mortgage lending is back to normal today, but it has recovered at least enough so that the question of mortgage credit is no longer the chief consideration to be weighed by the average person wishing to build a home. That person will, as in normal times, ponder the cost of building and weigh it against income and against the cost of renting a home, but in most localities, from one source or another, mortgage credit can now be had, even though a little searching may be necessary.

In this gratifying result it is quite impossible to measure where Federal intervention ends and private credit revival begins, for the two are inextricably intertwined. Without doubt the refinancing of billions of mortgages through the Federal Home Loan Bank system, the Farm Credit Administration, the Federal Savings and Loan Insurance Corp., and the Home Owners Loan Corp. has worked wonders in turning the tide of real estate and mortgage credit deflation. At least up to the present the accomplishments of these agencies dwarf those of the much more recent Federal Housing Administration, whose objective is to stimulate the flow of private credit into home construction or renovation through government-insured loans.

Throughout the work of these Federal agencies there runs a common drive not alone to open up the mortgage market but to effect some basic and much needed reforms. The most important of these is the attempt to bring about substitution of the long-term amortized loan for the traditional three-year mortgage which involved frequent and expensive renewals and which not infrequently was followed by a still more expensive second mortgage. The average mortgage is inevitably a long-term credit, whatever the stated term—as the depression abundantly demonstrated. The effort to treat it otherwise has been responsible for much of real estate's grief in recent years.

Essentially it is the technique long familiar in the lending policies of the building and loan associations that the Government is sponsoring. Cutting through the confusion involved in a multiplicity of governmental activities, some over-lapping, the primary purpose of the whole program is the double one of making mortgage credit more attractive both to the borrower and the lender.

To attract the borrower the big idea is to induce a lowering of interest rates, to do away with renewal fees and second mortgages, to set the mortgage maturity at least fifteen years ahead, to make the monthly amortization virtually as easy to pay as rent and, finally, to encourage loans up to 80 per cent of liberally appraised values.

To attract the lender the purpose is to make such mortgage loans safe and even liquid. Thus, F H A insured loans carry the Government's guarantee. Moreover, the Reconstruction Finance Corp. has announced it will make a market for such paper by buying and selling F H A insured mortgages through the R F C Mortgage Co. As marketable instruments, such mortgages will be offered to private investors by brokers and dealers.

Bank Participation

Finally, the Banking Act of 1935, recently signed by the President, permits member banks of the Reserve System to make mortgage loans up to 60 per cent of appraised values, with the total of such loans for any one commercial bank restricted to 60 per cent of capital funds or 60 per cent of savings and time deposits, whichever is greatest; and banks

in time of need can pledge such paper with the Reserve Bank for loans at a rate only ½ of 1 per cent above the prevailing rediscount rate.

That is not all. As this writer reads the Banking Act of 1935, a Reserve Bank apparently can make a loan to a member bank on an F H A insured mortgage, amounting to 80 per cent of appraised value, at a penalty rate of only ½ of 1 per cent above the rediscount rate; for the law states that a Federal Reserve Bank may lend to member banks on their notes "secured to the satisfaction of such Federal Reserve Bank."

Thus, defying all real estate experience, the Government in effect says that henceforth mortgage loans are to be both absolutely safe and essentially liquid. That is a big order, but one must admit that safety in this field may, after all, be largely a state of mind. Perhaps in time lenders, institutional and otherwise, will *believe* in the safety of such loans and the goose will hang high—barring the possibility of a final great post-inflation crash in which all bets would be off anyway!

Only a Start Made

Lest enthusiasm run wild, we must hasten to point out that much of this program is still on paper. Traditional mortgage methods are deeply rooted and will not be uprooted in a day or a year. When one gets away from plans and objectives and comes down to current records the figures of residential construction, though improving, remain in the class of economic small potatoes, the dollar total of mortgage loans being made remains very small and the proposed reforms in lending methods have barely scratched the surface.

Over the past year the total volume of residential construction has been around $350,000,000. Total F H A insured loans, it was stated on August 28, now amount to $126,000,000, of which about one-third, or some $42,000,000, represents new construction.

In short, up to the present, the real bulk of such modest mortgage credit as is being advanced is coming from insurance companies, savings banks, private investors and other traditional mortgages sources—on its own terms, without F H A insurance.

Here and there some savings banks and insurance companies are voluntarily adopting the reform of longer term amortized mortgages at moderate concessions under the long standard 6 per cent interest rate. One insurance company is reported to have adopted a scale ranging from 4 to 6 per cent, depending upon the ratio of the loan to conservatively appraised value. There are just enough such examples to permit one to say that there is at least a faint trend toward longer terms and lower interest rates.

By and large, however, the fact is that thus far almost no dent whatever has been made in the national average cost of mortgage financing. It is not perhaps commonly realized that even the 6 per cent rate, standard in many localities and regarded as high by the Government, is lower than the national average of mortgages interest rates, which in some communities range from 7 to 8 per cent.

Present Mortgage Market

A comprehensive picture of the present real estate and mortgage situation throughout the country is presented by the twenty-fifth semi-annual survey of the National Association of Real Estate Boards, drawn from confidential reports of member boards in 251 cities and issued only a fortnight ago.

Real estate boards in 81 per cent of these 251 cities covered by the survey report that it is now possible to obtain mortgage loans locally, from one source or another, but they add that loans actually negotiated are still generally few and extremely conservative, being usually limited to 50 per cent of appraised values on old houses and 60 per cent on new homes.

"The much advertised, long-term, low-rate loans," adds this report, "are non-existent as yet in most communities. Many cities say that banks, particularly, are reluctant to act under F H A plan. Few communities show loans on practicable terms for operative builders."

Interest rates, the statistics show, are as low as 5 per

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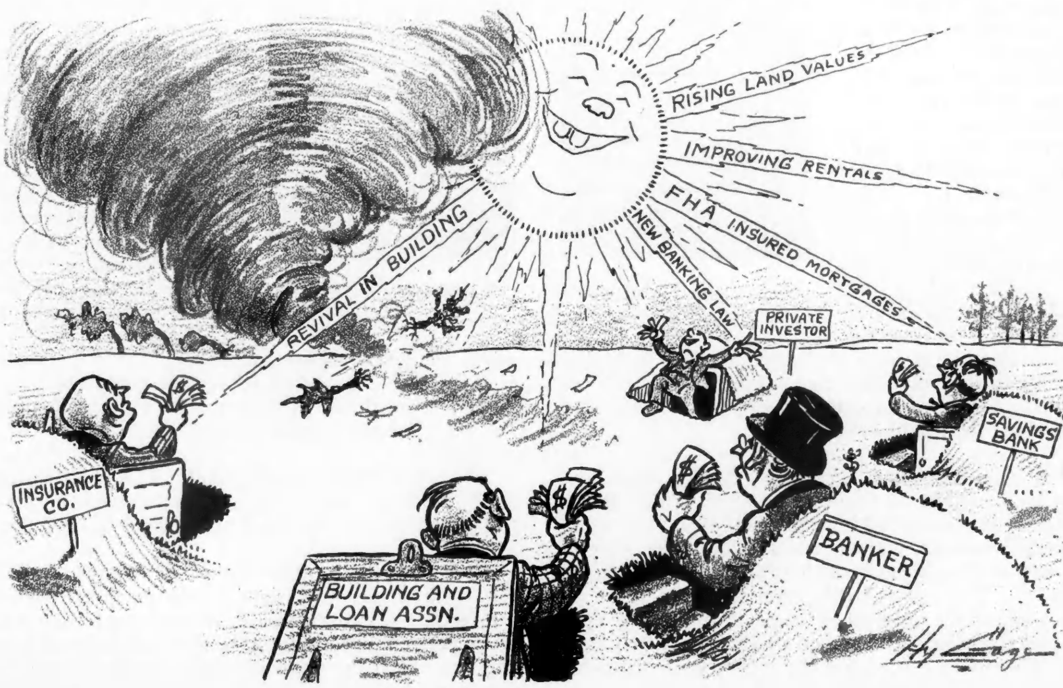
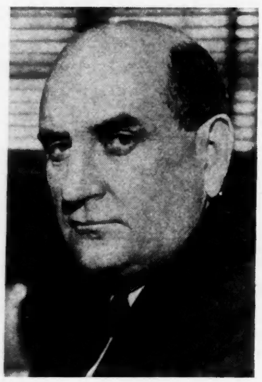


How New Deal Legislation Will Affect Business

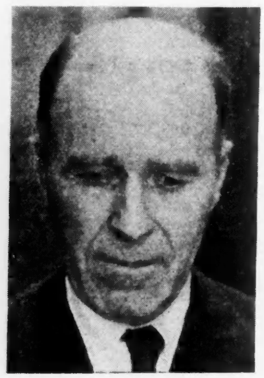
Scores of Novel Legislative Acts Affecting Every Industry and Individual Recently Passed by Congress—How Many Will Stand the Test of Constitutionality

By John D. C. Weldon

THE Seventy-Fourth Congress has at last gone home, probably to its own relief and certainly to the relief of the country as a whole. It was the longest session since 1922 and lasted 235-days. As for its accomplishments, it beat all records with $10,250,000,000 of appropriations, and got over more ground, more sketchily and recklessly than any other Congress in the history of the country. The wishes of President Roosevelt were over-ruled in only one important instance — the United States did not become a member of the World Court. Moreover, the President got virtually everything for which he asked and it was by no means little. Some three score major pieces of legislation were enacted by the last session of Congress, covering, seemingly, every field of American endeavor. If the thing fails to work now, the responsibility is the President's, and his alone. He has been given the power and the money; the ideas are his own or those of his chosen advisers which, of course, he must stand behind just as if they *were* his own.



Sen. Lynn J. Frazier



Rep. William Lemke

Let us examine briefly some of the major pieces of legislation, look into their probable effects upon business and the individual, and hazard an opinion as to whether they are likely to stand the test of the courts.

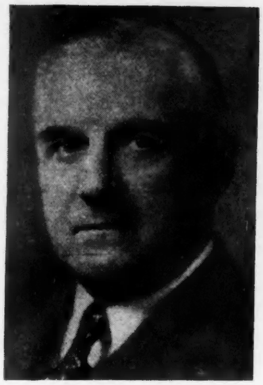
A A A Amendments. Following the Schechter decision by the United States Supreme Court the New Dealers became exceedingly worried lest the whole farm program be held unconstitutional. These amendments were enacted with a view to plugging as many loopholes as possible in the original act. They covered delegation of power to the executive, confined the program to interstate and foreign commerce, and ratified all action taken under past A A A legislation. They permit suits for the recovery of processing taxes, but only when the taxpayer can prove that the tax was passed on neither to the consumer nor back to the producer. Tobacco control and cotton control were extended for another year and there was set up a farm adjustment program for potatoes.

Perhaps the most important section of these amendments, in its longer term significance for business, was the direct linking of tariffs to the farm program. Specifically, 30 per cent of the receipts from customs duties (in the neighborhood of $100,000,000) may now be used to subsidize the export of farm products, except cotton. The farmer has long contended that he is obliged to buy in a highly protected market while his sales are made in the chill blast of the world's competition. There is a lot to be said for this argument and it may well be that the linking of the tariff directly to the farm program is the opening wedge to a situation wherein (1) either industry must make up its mind to accept agricultural subsidies indefinitely, or (2) accept lower tariffs, to make it possible for the farmer to buy more cheaply. Business probably will find both alternatives objectionable. But it is probable that every thing that matters about the A A A, including the processing taxes, will be adjudged unconstitutional.

The 1935 Farm Credit Act. The objective of this legislation is to make it still easier and cheaper for a farmer to borrow money. Its constitutionality is in little doubt.

The Frazier-Lemke Farm Mortgage Act. This Act, with slender safeguards for the creditor, provides for a three-year moratorium on farm mortgage foreclosures. It seems patently unconstitutional, although designed to escape the fate which the original Frazier-Lemke law met in the Supreme Court.

The effects upon business in general of the New Deal farm program are so widespread and involved that it would be easy to write a voluminous book on them. It is, moreover, extremely unlikely that the full effects have been felt as yet. The New Deal undoubtedly has improved the lot of farmers as a whole. This is attested by the great increase in automobile, refrigerator and general merchandise sales in rural areas—and to this extent manufacturers have benefited. On the other hand, manufacturers, their workmen, the consumers of the farmer's product, are certainly paying through taxes for the larger rural sales and they are going to pay much more in the not distant future. Probably a fair summary of the effects upon business of the New Deal's farm program is that general advantage and disadvantage at the present time are more or less equal, but that later when the time comes to balance the budget and try to regain lost cotton and other markets, the scales will swing sharply to the side of disadvantage. Regimentation and control of primary necessities have been tried in many places, many times, and the lot of the controlled, while improved temporarily, has always grown worse in the long run.



Sen. Joseph J. Guffey

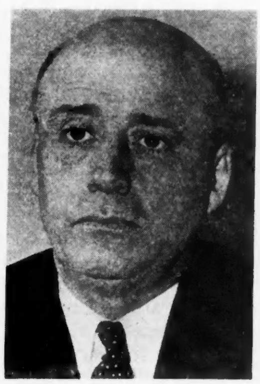
Rep. J. Buell Snyder

Airmail Act. This Act represents some retreat from the recklessly adamant attitude which turned the flying of the mail over to the army—with fatal consequences for a dozen army pilots. It extends postal route mileage and airplane mileage and directs the Interstate Commerce Commission to determine fair and reasonable rates for the carriers, although the maximum rates under last year's Act are still effective. With air passenger traffic at record highs and with the Government taking a saner attitude towards the business, the outlook for the air transport companies has improved.

Banking Act. This Act makes a number of important changes in the working of the Federal Reserve System. It reorganizes the Federal Reserve Board, creates a Federal Open Market Committee, sets up both accelerators and brakes for future speculative booms, and makes permanent deposit insurance up to $5,000 per depositor. This Banking Act, which is of far-reaching importance, was covered in a separate article in the issue of August 31.

Gold Clause Act. By this Act the repudiation on the part of the United States of its obligations in "gold clause" bonds becomes complete. It provides that "gold clause" securities may be exchanged for securities without such a clause and shuts the Court of Claims to citizens who might desire to sue the Government for payment in the equivalent of the old gold dollar. This Act will not, of course, have any direct effects upon business,

Sen. Burton K. Wheeler



Rep. Samuel Rayburn

although it is important as the marker of the grave where lies the belief in the sanctity of contracts and dependence upon the word of a great nation. It makes not the slightest difference that other nations have done similar things; moreover, it will always be a question whether American devaluation and repudiation of the "gold clause" were born of real necessity.

Guffey-Snyder Coal Act. In this Act the New Deal out-does itself. Seeking to stabilize the bituminous coal industry, the Act imposes a tax of 15 per cent on gross receipts at the mine-head, 90 per cent of which will be returned to all those who abide by the provisions of a yet-to-be-formulated bituminous coal code. In other words, it sets up a miniature N R A for this industry, enforced by the flagrant abuse of the taxation power. It will be remembered that the Supreme Court in the Schechter poultry decision blew the old N R A higher than a kite and no less a personage than the President himself hinted that the Guffey-Snyder Bill would be held unconstitutional. But he advised that it be passed, regardless, and a docile Congress complied.

Because none of the important details have been worked out as yet, it is impossible to say very much about the business effects of the Act. However, as it is proposed to set minimum prices, establish boards that will have the power to stabilize wages, hours and working conditions, it is a fair assumption that the price of coal is going up—and going up substantially. Such a result, of course, will be disadvantageous to the consumer, but the pitiful part of the whole thing is that probably it will work to the disadvantage of the soft coal industry itself. There will be a swing to competitive fuels and if this becomes at all pronounced, it will bring about a condition such as existed in the building trades during the height of the depression—nominally high union wages, but almost no work at all.

To the country as a whole, the Guffey-Snyder Coal Act is of vast importance because it goes to the very heart of our political system. If the Government can do what it proposes to do with bituminous coal, it can step in and regimentate and regulate, all business, no matter how small, nor how far removed from interstate commerce in the usually accepted sense. Peddlers of bootlaces would come under the all-embracing hand of Washington. The Act brings to a head the ancient question of State versus Federal rights. It is our opinion that the Supreme Court will hold it unconstitutional but, if so, the Administration may attempt a Constitutional amendment, in which case the ultimate decision lies with the people themselves.

Home Mortgage Relief Act. This is a liberalization of the Federal Home Owners

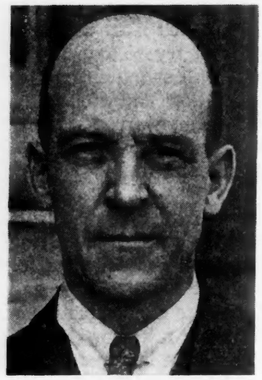
Loan Act. It increases the borrowing power of the Home Owners Loan Corp., lengthens the maturity dates of acceptable mortgages, and raises the maximum value of the property on which money may be borrowed. The Act is inflationary, or at least anti-deflationary, just as are all the mortgage relief acts passed by the present Administration.

Oil Control Act. This Act prohibits the shipment across state boundaries of "hot oil", or oil which is produced in excess of state regulation. It provides for the confiscation of any such oil that is so shipped. While it is generally conceded that this Act has been of benefit to an industry which was strangling itself to death by the fiercest of uneconomic competition, it has not proved wholly successful, as is evidenced by the current excessive production in California. In contrast with a reasonably satisfactory situation in other sections of the country a wave of price cutting in California has just made its appearance. There was additional oil legislation pending when Congress adjourned. In regard to oil, an exhaustible natural resource, some kind of control, whether it be state or Federal, or a combination of both, seems justified even though it be at the temporary expense of the consumer. What has been enacted so far is a step in the right direction. It is to be hoped, however, that a tightening up of control will not overstep the bounds of constitutionality—which some of the measures proposed seem to do.

Reconstruction Finance Corp. Amendments. These extend the active life of R F C until February 1, 1937, and further provide that the corporation may make loans maturing as far in the future as 1945, instead of 1940 as was previously the case. They also authorize the corporation to aid in the establishment of a "normal mortgage market" by advancing money to F H A's national mortgage associations. Finally R F C's borrowing powers were increased and the scope of its possible assistance to industry widened. As was the case with the various home and farm mortgage relief legislation, R F C which is railroad, banking and business "relief," is inflationary in its effects.

Revenue Act of 1935. This is the "soak the rich" legislation about which so much fuss was made. By increasing the present estate taxes, revising the present gift taxes, upping the surtaxes, raising the capital stock tax, imposing a graduated income tax on corporations, etc., the Revenue Act is estimated to yield the pitiful sum of $250,000,000. Like all taxation, its effects upon business are bad; this Act, however, goes further than the normal "badness" of taxation. The imposition of a graduated income tax on corporations establishes the dangerous precedent that bigness as such is to be deplored. Moreover, why should the small stockholder of a larger corporation be taxed at a higher rate than the large stockholder of a small corporation? Although the present graduations are not particularly steep, the principle is thoroughly objectional; sufficiently steep graduations would make it forever impossible for the country to develop another Ford, General Motors, or American Telephone & Telegraph Co.

Sen. Robt. F. Wagner



Rep. W. P. Connery, Jr.

Spanish-American War Veterans' Act. Despite the fact that it will cost some $45,000,000 annually, the full restoration of the pensions of Spanish-American War and certain other veterans is only important because it was the last part of the Economy Act of 1933 to go by the board. It will be remembered that the President, in accordance with his campaign pledges, rushed through a bill to cut the expense of government about 25 per cent. Washington economized all right, but only for a few short weeks; there is now nothing whatsoever left of the attempt.

Social Security Act. This probably is the most ambitious and far-reaching of all the New Deal legislation. Under it, there will be established Federal and state systems of old age and state unemployment insurance; it also will aid the states to provide for dependent children, better the public health, and improve the administration of state unemployment aid. To finance social security there will be imposed a special income tax of 3 per cent of pay on employees; and a payroll and employment taxes on employers, aggregating $2,700,000,000 annually. There are obvious objections to the imposition of such a heavy burden upon industry and the individual, besides, the building up of a vast insurance fund, invested in government bonds, may well promote governmental extravagance.

T V A Amendments. These were designed to strengthen the original T V A Act. T V A is given the definite right to sell surplus power, to utilize its funds to enable public bodies to acquire distributing systems, to construct further dams as may be necessary for a nine-foot channel in the Tennessee River. and strengthens the right of the corporation to let contracts just about to whomever it pleases. It will be remembered that the Comptroller General (details in THE MAGAZINE OF WALL STREET, August 31) said some very unkind things about the administration of T V A and that the publication of his report without warning proved very disconcerting for the sponsors of this remarkable power "yard-stick." Now, however, under these amendments, T V A is to be given the opportunity to examine, and if possible answer, any criticisms of the Comptroller.

T V A is a monstrosity; if it exists at all, the economic justification for ever having started such an experiment is slight indeed. As a real yard-stick of what the consumer should pay for electricity, it is as crooked as a ram's horn; as a necessary aid to navigation, it is a waste of money; while if its real objective is the uplifting of the social standards of the unfortunate people living in the Tennessee Valley, its efficacy is very much in doubt. Although T V A may be said to affect the business of the country as a whole in a negligible manner, it is directly adverse to the private power companies operating in its territory. Moreover, if, as may well be possible, it is merely the first example of what is to happen elsewhere in the country, it menaces all private power companies. There is little doubt that the waste of the taxpayers' money on dams, drainage, dredging and so forth is perfectly constitutional;

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Straws In the Wind

Suez Canal Stock

Largely because of Italian shipping passing through in connection with military operations in Ethiopia, the volume of traffic in the Suez Canal has reached record heights. This, and the discussions of armchair strategists on what would happen were the canal to be closed, have focused attention on this narrow ribbon of man-made water and brought out, incidently, considerable misinformation. The Suez Canal is not owned by the British Government as we own the Panama Canal; it is a concession, expiring in 1968, and operated by a French company. Anyone with 18,000 francs or so can buy a share of Suez Canal stock which is listed on the Paris Bourse and the London Stock Exchange. If one has enough money one can buy 25 shares and with them obtain one vote, but however much stock is owned the maximum number of votes is ten to an individual. The return is small; last year dividends on the capital shares totalled 378.88 francs, which is a yield in the neighborhood of 2 per cent, based on current prices. Yet, although Great Britain neither owns nor operates the Suez Canal, she is connected with the project in several ways. In the first place, she is the largest stockholder, holding at the end of last year 295,026 of the capital shares out of 652,932 outstanding. She paid some £4,000,000 for them and already has received at least ten times this sum in dividends. In the second place she has agreed to protect the canal. And thirdly—which is incidental to the talk being heard of the canal being closed—she is a signatory to the agreement, signed by every important power except the United States, that the canal shall always be open, whether in war or peace, to ships of every nation, both battleships and merchant vessels.

* * *

Installment Buying

It is not so long ago that installment buying, involving the pledging of future income, was regarded by many as a national evil, encouraging people to go into debt and certain to come to grief any time hard times returned. Indeed, it is not long ago that a certain odium attached to the practice. The poor man who bought a suite of bedroom furniture "on time," rather than out of accumulated savings, was often regarded as a shiftless, prodigal fellow, who paid a high price, including heavy interest charges.

Today installment buying is quite the proper thing, and is rapidly spreading to new fields. Unlike the banks, the finance companies ran into no difficulties in our worst depression. Also unlike the banks, they have been making a lot of money on the recovery. So the banks, at least many of them, are now going into the installment finance business, especially on automobiles. The finance companies have widened their field to air conditioning equipment and other apparatus and products not previously financed.

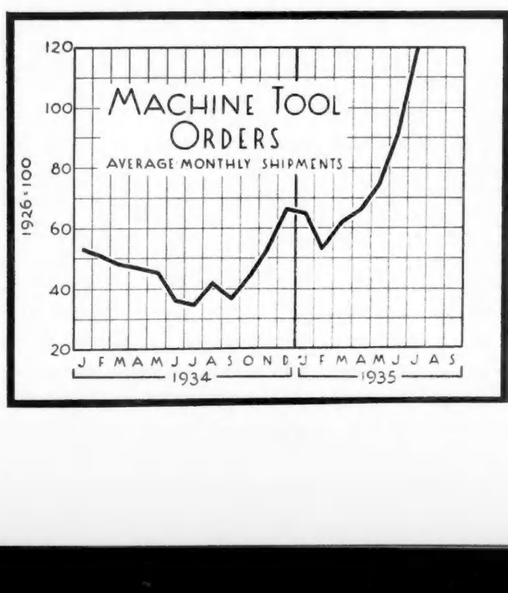
The Government's home renovation campaign is an installment affair, extending to refrigerators and other household equipment. Another Federal agency is doing its best to induce the public to buy electrical appliances on time. Probably the next big expansion of the practice will be its further application to relatively expensive capital equipment for business and industry. The R F C is now working on a plan to aid railroads in the installment purchase of light-weight streamline passenger trains, the idea being that they will make amortized payments over a long period of time out of the savings to be achieved from the new equipment. It sounds like a good idea, at that.

While one still pays a high interest rate on all installment buying—the Government will also try to do something about this—it is probably true that in the aggregate of all consumer buying on installment the savings made possible by the mass production, which installment selling makes possible, amounts to considerably more a year than the total of all interest charges. Of course, if the individual wishes to be old-fashioned, he can obtain this benefit and save the interest as well by saving his money first and buying later. Most of us are no longer old-fashioned.

* * *

Machine Tools Recover

Probably no important industry has experienced so phenomenal a recovery since March, 1933, as machine tools. At the low point in 1933 business in this capital goods field was at less than 10 per cent of the 1926 average, as shown by the index issued by the National Machine Tool Builders Association. By the end of last July it had soared to 120, a gain of more than 1,100 per cent. Machine tool orders are regarded as a good barometer of the general industrial trend but, as the above record indicates, are obviously less reliable than such indexes as steel, motor production, construction, car loadings, etc. The upturn in machine tools is a good omen, and one probably can conclude that the index is a more reliable barometer on the advance than on the decline.



The reasons for greatly improved demand for machinery of all kinds are many. Costs of labor and materials under the New Deal have been artificially increased. Also, after years of depression, there is an enormous accumulated obsolescence and deterioration in extant machinery the great bulk of which averages over ten years old. Then, there is that all-important thing: confidence; belief that times are getting better and will continue to do so. Regardless of the other factors, business buys machine tools freely only when it expects an enlarged demand for its products.

How to Invest $25,000

1—For Maximum Safety
2—For Income and Profit
3—For Price Appreciation

By J. C. Clifford

TODAY, the investor is confronted with two major hazards—the money hazard and the business hazard—and it is hard to say which is the greater. The money hazard, or the possibility of the investor losing much of his purchasing power because of higher prices, is a condition resulting directly from the policies of the present Administration. Moreover, it is something that the latter deliberately seeks, apparently; for it is bent upon raising commodity prices to relieve the burden of indebtedness, with scant regard for the effect on the cost of living. To this deliberate intention, there is added the risk that the upward movement may well "get away from them." Much has been said and written on the dangers of an unbalanced budget, and, just because disaster has not overtaken us so far, it must not be thought that some magic makes us immune to what has sprung from the same roots in other parts of the world. The federal budget is badly unbalanced, state budgets are unbalanced, county budgets are unbalanced, city budgets are unbalanced, and the securities that they all sell to make up the difference have many of the characteristics of money. Sooner or later, and despite the fact that the quantitative theory of money is not "sure fire" over short periods of time and when it is applied to relatively small changes in monetary supply, all this paper purchasing power must have its effect in rising prices.

The business hazard, of course, has always confronted the investor. Today, however, it has been greatly intensified by restrictive legislation and taxation. A man may be perfectly right as to the economics of some situation and then find that he has a completely wrong answer by virtue of some new law, or the new application of an old one.

It is apparent, therefore, that any investment course worthy of the name must be laid between these two great reefs—the money hazard and the business hazard. Naturally, there is a certain amount of latitude and for various personal reasons it will be logical for some to sail closer to one than to the other, but all except the out-and-out gamblers must lay their course somewhere between the straits. This means the purchase of bonds, accepting the money risk in an effort to guard against the business risk; and also the purchase of stocks, accepting the business risk in an attempt to guard against monetary dangers.

This conclusion has been an important background to the preparation of the tables which accompany the present article. Table 1 is the most conservative; regardless of type, every security is of the highest grade. Approximately half the given fund has been invested in prime bonds and half in prime stocks. The corporate bonds are diversified between railroads, public utilities and industrials. They are all non-callable so that, in the event that money rates should stay extremely low or even go lower, there will never be the problem of reinvestment prior to maturity dates.

The stocks were selected with a view to obtaining a cross section of American industry, but was trimmed to the extent of eliminating for the most part companies without clearly defined potentialities of dynamic growth. The list gives one representation in tin containers, a wide range of chemicals, alloys, and electricity, for all of which the prospects of dynamic growth are bright. In addition to which, there is representation in oil and building; both are currently on the upgrade and seem headed for further improvement over the longer term. The tobacco company was included for its remarkably stable record and in the belief that this is a habit which is

Where Safety of Dollar Principal and Maintenance of Purchasing Power are Predominant Considerations

United States Government Bonds	$3,000
High Grade Corporate Bonds	10,000
High Grade Common Stocks	12,000
	$25,000

Quantity	Security	Current Price	Total	Return (without extras)	Current Yield %
3M	Treasury 2⅞s, 1955/1960	100	$3,000	$86.25	2.9
2M	Chicago, Burlington & Quincy Gen. 4s, 1958	106	2,120	80	3.8
2M	Lake Shore & Mich. Sou. 1st 3½s, 1997	100	2,000	70	3.5
2M	South. California Edison Ref. Mtge. 3¾s, 1960	99	1,980	75	3.7
2M	Swift & Co. 1st 3½s, 1950	102	2,040	70	3.4
2M	United Electric N. J. 1st 4s, 1949	113	2,260	80	3.5
20 shares	Continental Can	85	1,700	48	2.9
20 shares	DuPont	121	2,420	72*	3.0
50 shares	General Electric	33	1,650	40	2.4
30 shares	Standard Oil (New Jersey)	46	1,380	30*	2.2
25 shares	Union Carbide & Carbon	66	1,650	40	2.5
20 shares	U. S. Gypsum	69	1,380	20*	1.4
10 shares	U. S. Tobacco	135	1,350	50*	3.7
			$24,930	$761.25	3.1%

*Plus extras—extras paid or declared so far this year add $34.25 in cash (excluding payments in stock) to total return.

Where Income Is Essential and the Assumption of Some Risk Not Over-hazardous to the Individual

Medium grade corporate bonds	$7,000
Medium grade preferred stocks	3,000
Common stocks	15,000
	$25,000

Quantity	Security	Current Price	Total	Return (without extras)	Current Yield %
1M	Alleghany Corp. 5s, 1944	76	$760	$50	6.6
1M	Am. Rolling Mill 5s, 1948	100	1,000	50	5.0
1M	Central R. R. of N. J. Gen. 5s, 1987	101	1,010	50	5.0
1M	Chile Copper Deb. 5s, 1947	98	980	50	5.1
1M	Houston Oil Sec. 5½s, 1940	96	960	55	5.7
1M	Otis Steel 1st "A" 6s, 1941	99	990	60	6.0
1M	Western Union 30-yr. 5s, 1960	100	1,000	50	5.0
10 shares	Armour of Illinois prior pref.	64	640	60	9.4
10 shares	Public Service of N. J. $5 pref.	99	990	50	5.0
25 shares	Spicer Manufacturing "A" pref	44	1,100	75	6.8
10 shares	American Telephone & Telegraph	140	1,400	90	6.4
25 shares	Brown Shoe	62	1,550	75	4.8
25 shares	Chesapeake Corp.	46	1,150	75	6.5
25 shares	General Mills	68	1,700	75	4.4
25 shares	General Motors	45	1,125	50*	4.4
25 shares	Loew's, Inc.	44	1,100	50	4.5
25 shares	Penick & Ford	72	1,800	75	4.2
50 shares	Union Tank Car	22	1,100	60	5.6
25 shares	United Carbon	61	1,525	60	3.9
25 shares	Woolworth	62	1,550	60	3.9
20 shares	Wrigley (Wm., Jr.)	76	1,520	60*	3.9
			$24,950	$1280	5.1%

*Plus extras—extras paid or declared so far this year add $15.25 to the total return.

still so growing that well-established companies in the field should continue to do well.

Nevertheless, few things are perfect and two objections may be raised validly to such an investment program. The first concerns the smallness of return. Slightly more than 3 per cent is less than most of us have been brought up to consider a reasonable investment return. Yet, it must be remembered that the hire of money is something which fluctuates like the hire of anything else. Today, it so happens that money is not bringing much in the open market and unless it is decided to do no business at all, one is obliged to accept what is offered. Thus, market conditions being what they are and the quality of the securities being what they are, it would seem that no apology need be made for a 3 per cent return.

The second objection is more serious; it concerns the fact that the stocks suggested undoubtedly are high-priced in relation to their current earning power and that they are therefore vulnerable to a serious price decline in the event that the bright business prospects fail to materialize, or in the event that their political burdens are increased still further. While there is a good deal of excuse for taking this attitude, it is felt, nevertheless, that whatever this list of stocks may do over the next few months, it will prove to have been a satisfactory purchase ultimately.

In making up the second table, return was made the object of primary concern. Some attention had to be paid, of course, to safety, but this has been met more by reliance on diversification than on the strength of individual securities. It would, for example, be considerably riskier to purchase an item or two from the second table than from the first. Thus, the man who has considerably less than the arbitrary sum of $25,000 which has been taken in these examples would be better advised to adapt the first program, rather than the second, to his individual requirements.

The bonds of the second table are medium grade. While all are currently in a reasonably satisfactory position, one would hardly like to guarantee that any particular one would always remain so under a drastic change in outside circumstances. About the same may be said of the preferred stocks, except that two of them border still more closely on the speculative.

In regard to the common stocks of the second table, it may be said that they as a whole differ from the stocks of the first table in "appeal." Many of them represent ownership in staid organizations; not much more can be expected of them than that they continue paying dividends at the present rate. There are exceptions, of course, but by and large this holds true. The

(*Please turn to page 568*)

Where Present Income Has Been Made Subordinate to the Possibilities of Price Appreciation, in the Belief That Business Will Improve Still Further

Medium grade bonds	$5,000
Speculative preferred stocks	5,000
Common stocks	15,000
	$25,000

Quantity	Security	Current Price	Total	Return (without extras)	Current Yield %
1M	American International 5½s, 1949	99	$990	$55	5.6
1M	Erie R. R. Gen. 4s, 1996	78	780	40	5.1
1M	Sharon Steel Hoop 1st "A" 5½s, 1948	98	980	55	5.6
1M	Pittsburgh Steel Deb. 6s, 1948	95	950	60	6.3
1M	U. S. Rubber 1st & Ref. "A" 5s, 1947	96	960	50	5.2
20 shares	American Zinc, Lead, & Smelting pref	47	940	....	...
20 shares	Budd Manufacturing pref.	49	980	....	...
10 shares	Jones & Laughlin pref	83	830	....	...
20 shares	Radio "B" pref	64	1,280	....	...
10 shares	Republic Steel pref.	73	730	....	...
10 shares	American Smelting & Refining	47	940	....	...
20 shares	Borg Warner	50	1,000	40	4.0
50 shares	Carrier Corp	13	650	....	...
20 shares	Columbia Pictures	69	1,380	20*	1.4
50 shares	Crane Co	16	800	....	...
50 shares	Distillers Corp.—Seagrams	28	1,400	....	...
20 shares	Food Machinery	54	1,080	20	1.9
20 shares	International Harvester	56	1,120	12	1.1
25 shares	International Nickel	29	725	20	2.8
20 shares	Johns Manville	73	1,460	*	...
25 shares	Montgomery Ward	36	900	....	...
100 shares	Pure Oil	8	800	....	...
25 shares	Seaboard Oil of Delaware	30	750	15*	2.0
50 shares	United Aircraft	19	950	....	...
20 shares	Westinghouse Electric & Mfg	74	1,480	*	...
			$24,855	$387	1.6%

*Plus extras, or, having no regular rate, has recently paid a dividend. Extras paid, or declared, plus irregular dividends, so far this year add $27.50 to the total cash return.

Escape from the Dilemma of Cotton

A Way Out of the One Crop Hazard in the South—A Solution to a Pressing Government Problem—A Spur to the Textile Trade

By C. S. Burton

And Pharaoh took off his ring from his hand and put it upon Joseph's and arrayed him in vestures of fine linen and put a gold chain about his neck.

Flax Straw After Threshing Out Linseed

SOMEWHERE in the countless years before man made even the crudest records of a life where the daily physical and concrete problem was the survival of the fittest, he became a creature of fashion. Some prehistoric woman learned to twist a fiber, to spin a yarn and make a crude cloth to take the place of the skin her caveman mate wore around his loins or threw across his shoulders.

As the household itself emerges historically from the depths of antiquity, the place of linen, as bespeaking the luxuries of cleanliness and comfort, is set down as a matter of course. We now count our spindles by the millions, and fine linens remain a luxury.

Some of the oldest of Egyptian murals portray the processes through which flax passed on its way to the distaff. The artists portrayed the fellaheen of their time pulling the plant up by the roots, placing it in water to ret, then drying, breaking, and "scutching". There was neither cotton nor cotton gin in that time and the production of flax was a matter of major importance.

It has not been thought to go into the history of flax as a matter of primary interest, but merely to describe ancient methods in order to point out that in five or six thousand years the treatment of flax fiber has hardly changed at all in the first processes.

It was Eli Whitney's saw gin that made it possible to feed millions of bales of cotton to the spindles and looms of Manchester. Now cotton is caught in a snarl of economic planning. The tenant farmer and the share cropper, the landowner and the cotton merchant, the A A A and the cotton mills of both North and South and Japan, the Government cotton loans and the planter in foreign lands all go to make up one badly tangled mass.

The actual plight of the Southern farmer, the tenant farmer and the share cropper is camouflaged to a certain extent by the scattering of the moneys collected as processing taxes. We are not here concerned with the disposition of such benefit payments or the shifts which turned tenant farmers and share croppers into day laborers, thus allowing the benefit payments to accrue wholly to the landowner. Of this phase more will be heard in the months to come.

What is a matter of concern is that as the agriculture of the South suffers from the troubles brought on by one crop farming and an almost criminal avoidance of crop diversification, *the growth of flax offers a way out.*

First of all, it must be set down that the two age-old laborious steps in the preparation of flax for the spindle have been eliminated. It is not necessary to pull the plant up by the roots in harvesting. Mowers and harvesters are easily adapted to the work of cutting flax. The longer, more disagreeable task of retting is now obviated by the use of machines which accomplish decortication rapidly, thoroughly and satisfactorily, followed by chemical laundering, the fiber is 100 per cent clean of gums, as it must be for its current use as cigarette paper.

Decortication, achieved by retting, required that the bundles of flax be placed under water long enough for the

pithy straw, called "shives", to decay, when the bundles would be taken out, dried, and the "shives" beaten out on a "scutching" block. A technique grew up, over generations, in regard to retting. Certain rivers, lakes and ponds were held to be impregnated with just the proper bacteria, and certain hillsides were held to catch just the proper dew to achieve the same work—a nasty job handling the retted flax, requiring vigilance to guard against the bacteria attacking the fiber itself. The work of a modern decorticating machine serves just the purpose in flax that the cotton gin serves in cotton; it threshes out the seed, saves time, disagreeable labor and delivers a product now proven amenable to *spinning in a cotton mill* with mere, minor mechanical adaptations. No new equipment, would be necessary if part of the cotton grown in our Southland were supplanted by flax.

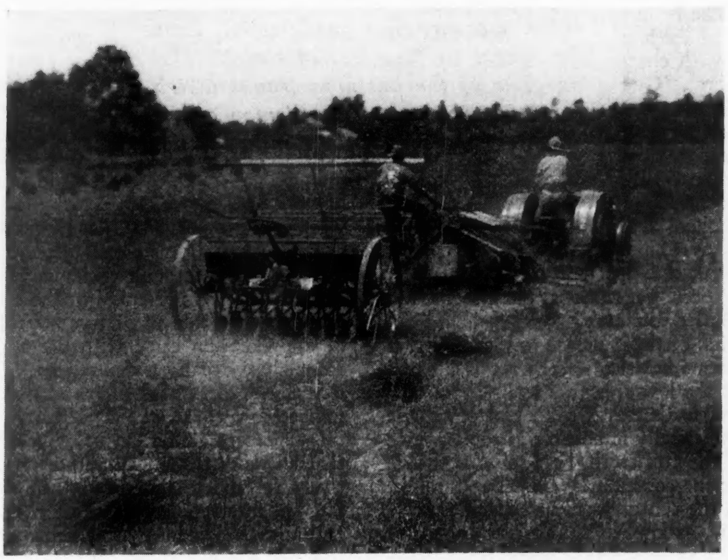
So much for the progress which has brought flax fiber to a point where with volume of production—farm production—the reader may sleep between linen sheets, wear real linen B. V. D.'s and learn that the older such linen is the whiter and lovelier it is up to the point of final disintegration.

As this statement is a broad one, perhaps the reader may feel there should be some authority cited, since the writer is not himself a textile man. There lies then, on the desk, as this is written, a letter from the editor of the leading journal in the textile field which reads, in part:

"Here is the important point: Technically there is no doubt that simple methods of mechanical decortication and chemical retting have been developed to a stage where they give satisfaction. The whole question is one of economics. Can the fiber . . . . be delivered to textile mills on a basis comparable with cotton?"

Undoubtedly, the answer to this important question is "Yes" when, as and if the Southern farmers and land owners will co-operate and abjure the one-crop system.

There is not space to go into the details of the comparative costs of flax and cotton except briefly. The average production of cotton runs about one-third of a bale, say 166 pounds of lint, to the acre. To use the bale as a basis, we have 500 pounds of lint from three acres. The same land, properly tilled, should produce six tons of flax straw, from which there should be derived 1500 pounds of flax fiber. Taking processing losses into account and allowing for the greater density of the flax fiber, the net result would be 1188 pounds of spinnable flax against 400 pounds of spinnable cotton. The yardage, pound for pound of fiber, would be about the same, having made deduction for the greater density of flax.



Flax Can Be Harvested Like Wheat

To work the comparison out another way and taking sheeting as a basis, a bale of cotton, the product of three acres of ground, should make something over 600 square yards; while the same acreage should produce about 1500 square yards of linen sheeting of approximately the same count or fineness. In actual practice the linen would be finer and the yardage greater.

To consider the matter of costs, a rough estimate for the production of a pound of cotton, crediting the valuable flax seed, which commands so ready a market for the production of linseed oil, against costs and figuring rent $3 per acre, runs around 7.4 cents per pound. It is probably more than this figure rather than less, but call it 8 cents, then the cost per acre is $13.28 and 166 pounds of cotton turned over to the Government at 12 cents amounts to $19.92. Farm profit $6.64.

The fertilizer bill in the production of flax is not so heavy. There is no hand labor involved unless the ground is weedy, so that cost per acre may be figured at $21 gross to produce 500 pounds of fiber and 10 bushels of seed. The seed may be figured 6 bushels at $4 per bushel for seed and 4 bushels at $1.75 for pressing, or say $30. Thus in the case of the flax grower, the seed sold should cover a good proportion of the production cost. The present premium paid for flax seed to produce fiber might be expected to grow less as the supply accumulates. For the present these figures rule.

The long fiber flax now grown in this country is used to make cigarette paper, plus a little experimental growth under T. V. A. auspices down in Tennessee. There have been some thousands of acres just harvested on the eastern shore of Virginia and in the Carolinas, all to compete with linen rags in making cigarette paper. The farmer looking for a new cash crop should be the one to encourage the growing of such flax for textiles, where, once in supply, it could demand and justify a much better price than any figures used herein, where we have figured the fiber ready for the mill at 12 cents a pound, just the same as cotton.

In present practice the farmer sells his flax with the seed at about $20 a ton. If the fiber is put to proper use the farmers' output should be worth much more.

The problems of pulling, of retting, of spinning in a cotton mill have been solved. There now remains the education of the land owner and his tenant farmer or share cropper which involves even more than the partial dethronement of cotton. Flax production requires crop rotation. For some crops the growth of flax prepares the ground superlatively, but flax cannot be grown on the same ground until the fifth or sixth crop of something else shall have been harvested.

It is at once obvious that flax production in quantity and quality requires rather long term rotation plans,

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SEC Surprises Both Friend and Foe

Laws Conceived in Crusading Rage Turn Out to Be Conservative, Constructive and Protective in Operation

By THEODORE M. KNAPPEN

The Securities Act of 1933 and the Securities Exchange Act of 1934 were originally conceived more in malice than in justice, although piously put forward as solely in the public interest. The Securities and Exchange Commission has taken the declaration of public interest to heart and in a remarkably large measure has made both laws beneficent in practice, to the grateful surprise of the business groups which were fearful and to the dismay of the fanatics who sought their injury if not destruction.

THE general counsel of the Securities and Exchange Commission, John J. Burns, tells this story:

"A few years ago the United States Supreme Court in the case of Buck vs. Bell upheld the constitutionality of the Virginia statute provided for the sterilization of the insane. Mr. Justice Butler dissented, although he wrote no expression of his views. The majority opinion was written by the late beloved Justice Holmes with characteristic elegance and force. One line was very pithy, referring to the record of the case dealing with the Buck family, he said: 'three generations of morons are enough.' Professor Thomas Reed of the Harvard Law School had occasion to write a review of the case for a legal periodical, and his half truth was: 'Mr. Justice Holmes said, "three generations of morons are enough!" Mr. Justice Butler dissents'."

Judge Burns' application of the anecdote to the Securities Act of 1933 is that extreme criticism of the act was based on the "half truth" that the law appeared to be in its civil liability sections intended to destroy wealth and enterprise by making compliance practically impossible in the issuance and sale of securities. The full truth, he asserts, is that it adds nothing to the ancient common law liability for misrepresentation, being on the contrary only a specific restatement of the common law, as applied to securities, together with provision for its alert and systematic enforcement. According to this view the investor now has a governmental agency on the job to look after his common law rights, whereas formerly he had to take the initiative himself and keep at it in order to get justice.

The view commonly entertained in the offices of corporations and their lawyers is that the law might have fulfilled the worst apprehensions in respect of capital expansion if the Securities and Exchange Commission had chosen to administer it with the emphasis on vindictive punishment rather than on equal justice to both buyers and sellers of securities. But, however that may be, it is now quite generally agreed that the Commission and the laws it administers are turning out in practice to be nowhere near so restrictive and persecutive as it was feared they would be. In this regard, the extreme new dealers consider the laws a flop; and they are as offended by the factual position as the business world was by the prospect.

It will be recalled that the original Securities Act of 1933 vested the Federal Trade Commission with the duty of administration and enforcement. Later, in June, 1934, when the Securities Exchange Act came into being, the administration of both acts was entrusted to the Securities and Exchange Commission set up by the later law. By virtue of the first law, S E C may be said to regulate the original distribution of securities, while under the second act it supervises and regulates the sale of securities as a business, both through exchanges and "over the counter."

Both acts were resented in the business world as bureaucratic intervention in private business. The first allayment of apprehension came with the appointment of Joseph P. Kennedy, virtually a denizen of Wall Street, and his election as chairman of the Commission in accordance with the indicated wish of the President. Then followed steady reconcilement as the Commission daily proved by its works that all its discretionary authority would be used constructively for the protection of the investor and with a minimum of interference with normal lawful process of issuance and sale of securities. The avowed purposes of the Securities Act are to "compel full and fair disclosure to investors of material facts regarding securities publicly offered and sold in interstate commerce or through the mails, and to prevent fraud in the sale of securities." The general purposes of the Securities Exchange Act are: (1) the elimination of abuses in the securities markets; (2) to make currently available to the public such information concerning the management and financial condition of corporations whose securities are offered in the markets to enable the investor to act intelligently and to exercise his rights as a security holder; (3) to regulate the use of credit in the form of margins for security trading, but this function is primarily entrusted to the Federal Reserve Board for administration.

But under neither Act has the Commission any power to pass upon the merits of any security, its essential duties being to require the production of adequate information and to regulate security trading practices in the public interest.

While the two acts unite to make the seller of securities beware, they do not interfere with the inalienable right of any man to use his own judgment to the fullest extent. He can be a sucker if he wishes, despite the information that is furnished to him and the curbs that are placed on the free enjoyment of sucker exploitation; and he can speculate as recklessly with full knowledge as without it.

Honesty Demanded—Not Intelligence

Under the Securities Act every new issue of securities within the scope of the law must be preceded by a registration statement, on forms provided by the Commission, including a copy of the form of prospectus intended to be used. Every such statement must be accepted, provided it is not on its face misleading, inaccurate or incomplete. The examination of statements is in no way concerned with the merits of the security. You can offer stocks of a corporation intended to harness moonbeams if you wish, only it must be plain that they are such; but registration can be suspended, and the Commission has certain preventative authority, including the power to investigate the facts relating to an issue of securities. It is the penalty of civil liability under the registration authority which at first paralyzed the issuance of new securities. On this point the law reads (Sec. 12): "anyone who sells a security . . . by means of a prospectus or oral communication which includes an untrue statement of a material fact necessary in order to make the statement, in the light of the circumstances under which they are made, not misleading (the purchaser not knowing of such untruth or omission) and who shall not sustain the burden of proof that he did not, and in the exercise of reasonable care could not have known of such untruth or omission shall be liable"—. Under Sec. 11 like responsibility attaches to signers of registration, statements, directors, directors-designate and to any authoritative person named (with his consent) as having prepared or certified any part of the registration statement.

Joseph P. Kennedy

He Knows Wall Street

Wide World Photos.

John J. Burns

Prefers Advice to Prosecution

It was not only the all embracing nature of these clauses but the devastating comprehensiveness and detail of information required which operated to restrain the issuance of new securities at first. S E C has been engaged from the first in simplifying the forms originally prescribed by the Federal Trade Commission and has endeavored to make them more concise.

Several thousand complaints of violation of the two acts have been received by the commission. Investigation has resulted in some instances in temporary injunction or preliminary restraining orders; in many others voluntary cessation of allegedly illegal acts has been brought about. A number of cases have been turned over to the Department of Justice for criminal prosecution for abuse of the mails, and in a number of instances the Postoffice Department has been advised to take the initiative, the mails being denied to all offenders.

Registration of Exchanges

The first task which confronted S E C under the Securities Exchange Act was the drafting of rules for the registration of exchanges, as "national security exchanges." These were completed six weeks before the Act became fully effective, which was on October 1, 1934. Twenty-five exchanges filed applications for registration, fourteen asked permanent exemption from registration under the law, and three requested temporary exemption pending further action. Registration was promptly granted to twenty-one exchanges.

Every applicant for exchange registration was required to file detailed information regarding its rules, practices and financial condition. Each Exchange was compelled to execute an agreement to comply with the Exchange Act and with all rules and regulation thereunder. The rules of the admitted exchanges were required to include punishment for members guilty of conduct inconsistent with just and equitable principles of trade, including the violation of the Exchange Act and rules and regulation thereunder.

Rules for the temporary registration of securities, both listed and unlisted, were promptly drawn up by S E C, after hearings in which representatives of the exchanges had an opportunity to make suggestions. By October 1, 1934, more than 3,000 applications were received for the registration of securities previously listed, and more than 3,100 applications have been received for registration of unlisted securities. Total of applications for trading privileges, include 4,305 issues of stocks and 2,828 issues of bonds. Under revised rules governing permanent registration some 2,000 applications have been received to date. The Commission has broad powers to deny or suspend stock exchange registration of any security. The exercise of these powers entails an enormous amount of study and investigation of applications. All the information supplied to the Commission is ordinarily available to the public, but certain facts may not be published, in the discretion of the commission, if due request for suppression is made. A frequent request is that information regarding salaries of officers be held as confidential; and, so, it is interesting to note that

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Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

"Peace with Justice" says Mussolini

Although the feeling has been growing that serious consequences as a result of the Italo-Ethiopian dispute may be averted, there seems to be little tangible reason for such a belief. True, the Italians tacitly agreed to the new reconciliation committee by refraining from voting against it, but in the meantime war preparations are pushed ahead. In some quarters it is held to be Italy's strategy to gain time—to avert action on the part of the League of Nations until such time as the invasion of Ethiopia be an accomplished fact. Right at the moment the territory over which she must move her troops is still waterlogged and possibly it will be as much as three weeks before the campaign is possible. The latest utterances of Premier Mussolini are not particularly heartening to those beginning to feel that the trouble may blow over. He said that "Italy was definitely on the march" and that she demanded "peace with justice." In the light of the flat rejection of French and British proposals to permit, so far as they were concerned, that Italy acquire a great measure of control over Ethiopia, one can take Il Duce's statements to mean that "he wouldn't mind not fighting if he can get all he wants without it." And what he wants seems to be, not a sphere of influence, not a protectorate, but complete annexation of a large part, if not all, Ethiopia. The essential solution of the problem presented to peace-desiring independents seems to be to induce Italy to accept less and then to club the unfortunate, and practically helpless, Ethiopian Emperor into agreeing.

* * *

France—Left Turn Expected

Contrary to common belief, intermittent strikes have been quelled more by the tempered intervention of the communist leaders, than by the force of the government police. This is more indicative of left conservatism than confidence in the Decree-Law Cabinet. The whole French situation really hinges on the one factor of the re-establishment of confidence, necessary for the return to circulation of some forty billion francs of hoarded currency. But the restoration of confidence by decree-laws is extremely doubtful.

The reduction of the cost of living, Laval's primary objective, is essential and may help to create a healthier basis for business—it cannot create business itself. Stricter corporation control will put an end to some abuses, but to some only. These deferred corrective measures possess long-term benefits, whereas current business needs a more immediate and drastic stimulant.

From an international point of view, it must be remembered that a mere 5 per cent decline in the gold value of sterling will nullify each and every beneficial result obtained by the French program of price deflation, and the prospects of a near-term sterling decline are practically certain.

Hence this restoration of confidence in the French economy, either internally or externally, is a very remote possibility. London financial interests remain as ever distrustful of the franc, and this attitude is expected to continue despite any temporary currency strength. The English mistrust of the soundness of the French financial situation is twofold: economic and political. London considers that the gold currencies are over-valued and that general gold bloc devaluation is inevitable. Politically, it doubts the ability of the present government to control the Chamber of Deputies—it believes that a new government, although committed to the existing gold parity, will be unable to carry out a left program without devaluation. If the autumn session of Parliament fails to usher in the final knock down and drag out attack against the franc, the April elections, according to the financial observers, will certainly constitute the last round of the "gold bloc" value. During this interval, the government's gradual orientation to the left will occasion a slow, but persistent, outflow of capital from France to foreign security markets.

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Germany—Hitler & Co. Passes Its Dividends

While carefree German youth enjoys sport, sunshine and the peace of country life, various branches of the Nazi family have passed their summer holidays in fretful distemper, brooding gloomily over what the winter months may hold in store. This state of affairs reflects an inexplicable animosity of Hitler towards the various chiefs who have been the prime movers of Nazi policy. A recent rift with Dr. Schacht, the most aggressive of actual party feuds, may very possibly lead to a radical change in the semi-capitalistic financial structure of Germany—a structure already strained to a point where any shift in its credit foundation will bring about complete collapse. With callow disregard for consequences, younger Nazis bully the under dogs, Jews, Catholics and all other conscientious objectors, while the old guard generals cunningly await the tactical moment to strike the props from under the dictatorship. Silently developing behind all the propaganda and the manoeuvers of party leaders is this sinister undercurrent of discontent epitomized by the slogan now cautiously whispered: "Behind the Hitler terror lies the Revolution."

British Opinion on Copper

Recent developments in the copper market have justified the previous British view that the outlook for both the copper trade as well as the larger earnings of producing companies are sound and favorable. Alarms expressed at the time of the breakdown of the copper code in the United States have proved unfounded. With a substantial recovery of our domestic market—sales in the United States are now running at the highest level since the war—there has been no undue pressure of American copper on European export outlets.

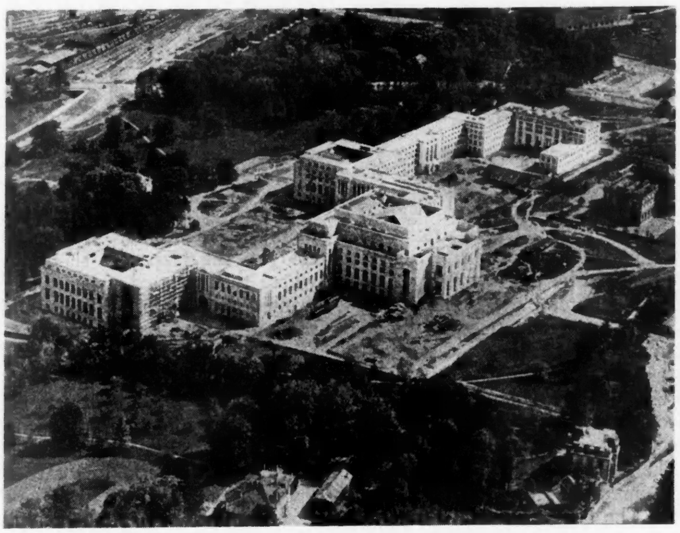
Financial circles in London view the recent increase to 8½ cents a pound as an indication that former fears of a breakdown in the international restriction scheme have been permanently allayed. Also the rate of consumption is holding well above the supplies of newly-mined ore.

On the other hand, any further increase in the price of the metal should be regarded with caution, since a considerable speculative bull position has been built up on the basis of war and re-armament scares. Secondly, adherents to the restrictive control scheme are known to be conservative in their policy of price appreciation. With these two qualifications in view, copper securities may be regarded as reasonably secure from fluctuations in earnings. Stocks on hand are by no means excessive; production restriction, in other countries than the United States, is operating according to schedule and demand, the primary factor in the long run, continues to be maintained.

* * *

Denmark

Since the march of the Danish farmers on Copenhagen, the currency of the country has been thrust into the limelight, thus contributing another factor of uncertainty along with the "gold bloc" countries in the international financial problem. Subsequently, the Danish National Bank has assumed a more militant attitude; clamped down on foreign exchange allowances for import payments; raised the discount rate from 2½ to 3½ per cent. In line with these defense measures, the government has placed a complete embargo on the importation of American automobiles and automobile parts. Despite an adverse trade balance of 120 million crowns, the rigid trade and valuta control, and the close exchange parity with London have tended to ease the burden imposed by the years of depression.



World Wide Photo.

League of Nations buildings at Geneva where the struggle to preserve world peace is on

But this domestic flurry of industrial activity has engendered high prices; has created an excessive consumer price for Danish products to defend her monopoly position in the competitive British market for dairy products.

In 1929, the United States sold to Denmark as much as Great Britain; bought only one-fiftieth as much. Leather shipments from the United States still head the list of Danish primary material requirements; the flourishing tobacco industry consumes annually approximately one million dollars of raw tobacco of American origin.

Since Denmark sells 64 per cent of her total exports to Great Britain, the demand for American products is expected to decline. Government duress will inevitably have its effect. In fact, during the first six months of 1935, Danish imports from Great Britain have shown an increase from 184 to 237 million crowns.

Because of the plight of Denmark in her agricultural economy, Scandinavian currencies have reached a line of demarcation. From a uniform parity of 18.13⅛ to the pound sterling before the war, exchange quotations are as follows: the Danish crown 22.40, the Norwegian 19.90, the Swedish 19.40. The Danish farmers, now dictators of government policy, demand devaluation as a short cut to agricultural equilibrium. Both Norway and Denmark are not only technically, but fundamentally, in a stronger position to withstand currency depreciation. In fact, Sweden is considered by observers in close touch with the situation as possessing a current pound sterling parity, which undervalues considerably the current value of the Swedish crown. Many American investors seeking diversification abroad regard Swedish securities as the soundest outlet for frightened capital.

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Russia and the Far Eastern Front

As the eyes of the world are focused on the imperialistic expansion of Italy, a far greater but currently overlooked imperialistic program is taking place in Russia. The basic idea of Stalinism is the establishment of Asiatic supremacy by force of arms. Russian dominance in the Fart East is being actively and obstinately opposed by Japanese penetration into Northern China and along the Soviet Siberian front.

Accordingly, General Blucher, chief of the Soviet troops in this area, has moved his staff headquarters from Vladivostock to Upper Mongolia, and from here directs a far-flung offensive extending from Eastern Turkestan, through Tibet, to the border line of British India.

At the same time, the presence of emissaries from Japan in all sections of Asia, however politically insignificant, indicates the scope of a struggle in the making between two inherently Asiatic powers operating behind a false façade of European methods. Stalin's Asiatic nationalism has already taken deeper roots, constituting Soviet outposts stretching from the Persian Gulf to Burma, a territory still unconsolidated and as yet immature for decisive revolu-

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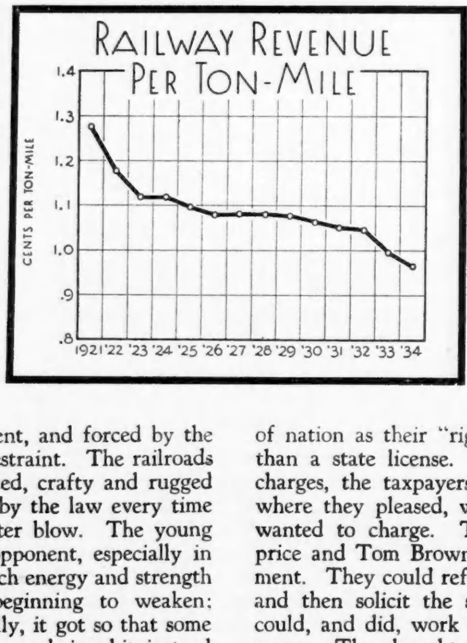
How Truck Regulation Will Affect the Railroads

Important Changes Will Result Affecting Railroads, Bus and Truck Lines and Motor Manufacturers as All Interstate Transportation Goes Under the I C C

By Ralph L. Woods

WHEN the President recently signed the Motor Carrier Act for the regulation of trucks and buses in interstate commerce it marked the railroads' most important victory in their ten-year fight against the anarchy of the trucks and buses which have victimized them, just as it halts the gradual economic suicide many motor carriers were commiting.



For some years now we have been witnessing an unfair fight; a fight between strictly regulated railroads and unregulated trucks and buses. The motor carriers were like a young fighter able to deliver powerful blows to an opponent, and forced by the paying customers to do so without restraint. The railroads were in the position of an experienced, crafty and rugged opponent whose arms were grabbed by the law every time he was poised for an effective counter blow. The young fellow had been hurting his older opponent, especially in the pocketbook, but it required so much energy and strength that the scrappy youngster was beginning to weaken; sometimes he even hit himself. Finally, it got so that some of the customers in the front row were being hit instead of the old timer for whom the blows were intended. For a while it looked almost like a free for all. Now comes the Interstate Commerce Commission, clothed with new authority to act as referee. The horseshoes will be taken out of the young fellow's boxing gloves, and Old Man Railroad will have every opportunity to employ his ring generalship. Incidentally, the customers will still get their money's worth, for it remains a fight, not a pink tea party. The difference is that it will now be a fair fight.

Perhaps the best indication that this law regulating trucks and buses will give new life to the railroads is that they have persistently and militantly fought for it. If they have seemed apathetic or restrained in their comments it is no doubt because they are unwilling to have it supposed that their fight for fair competitive conditions is finished. The railroads have still to see the various states enact adequate legislative regulations for intrastate truck operations, as well as a more equitable competitive situation with respect to subsidized carriers on inland waterways. Nevertheless, while other objectives remain to be accomplished, the present victory is certainly important enough to merit this estimate of its probable effect upon the railroads and related interests.

First, let us recognize the conditions that forced the enactment of motor carrier regulation. The motor carriers had the highways of nation as their "right of way" at the cost of no more than a state license. They had no maintenance of way charges, the taxpayers shouldered them. They could go where they pleased, when they pleased, at any rate they wanted to charge. They could charge John Smith one price and Tom Brown twice as much for the same movement. They could refuse to haul one kind of freight today and then solicit the same business the next day. They could, and did, work drivers eighteen hours a day at low wages. They bought equipment on a shoe string, operated it without insurance, grabbed business from the railroads through ridiculously low rates, and then folded up with only a stack of unpaid bills and claims to show for their efforts. Trucks could and did discriminate in any way that would bring them business, railroad business; they could and did misrepresent their financial responsibility, their service and their equipment. Only unco-ordinated and usually inadequate state laws restrained them. Though we are speaking of the worst element of the new industry, still these tactics by some forced the others to methods that were distasteful yet necessary for survival.

Meanwhile, the railroads dare not deviate from the laws and regulations laid down for them during the past fifty years. They could not reduce their rates to meet this competition without recourse to formal proceedings, hear-

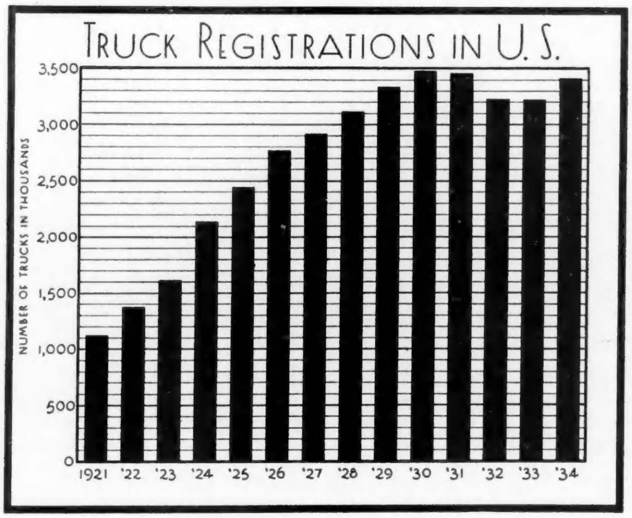
ings, and decent notice to the public. Even then they were limited to certain minimum rates. They could not discriminate as between commodities, towns or shippers. They could only plead and wait for the day when Congress would act. Is it any wonder, then, that some 5,000 common carrier trucking concerns were able to capture somewhere between $300,000,000 and $700,000,000 annually in freight revenue formerly given to the railroads? Or, that the Class I Railroads had net operating incomes for the first half of 1935 of 1.81 per cent as compared with 2.10 per cent the same period in 1934 and 4.84 per cent in 1929? This was one reason why the I C C called motor carrier regulation "vital". The recent report by Federal Co-ordinator of Transportation Eastman brought out the same point in the following manner.

Rail Freight Service Income and Tonnage of All U. S. Railroads Percentage Relationship to 1932

	1926	1927	1928	1929	1930	1931	1933
Income	196	189	191	199	167	133	102
Tonnage	207	198	198	206	177	138	108

If we note the essential points of the new truck and bus regulatory law its significance will not escape us. The law applies to all common and contract carriers engaged in interstate commerce, except those used exclusively in carrying livestock, fish, agricultural commodities and newspapers. Common carriers must obtain certificates of convenience and necessity in order to operate. Contract carriers are to secure permits. The common carriers are required to establish just and reasonable rates, are forbidden to discriminate in their rates or service, and may be regulated both as to minimum and maximum rates. Contract carriers are subject only to minimum rate regulations. Consolidations, mergers, the issuance of securities, and financial responsibility are subject to the Interstate Commerce Commission's jurisdiction. Appropriate reports may be required of them and their accounts prescribed. *All motor carriers* shall be subject to regulations with respect to qualifications and maximum hours of service of their employees and the safety of their operations and equipment. Motor carriers must specify the service they render, routes used, and their fixed termini. Their service must be continuous. Private trucks used for industrial or commercial purposes, and not for hire, are subject only to the qualifications and maximum hours of service for their employees and to the regulations governing the safety of operation and equipment. Certificates, permits and licenses may be revoked for willful violation of the Commission's regulations. These regulations must be in effect not later than April 1, 1936.

Although it is impossible now to predict exactly how these regulations will affect the railroads, certainly no one will argue that their consequences will be negative. The day of the fly-by-night trucking outfit is ended. The chiselers, the "bargain counter" trucking concerns, the incompetent and irresponsible truck operators are on the way out. This usually means the smaller concerns. Stability, security, uniformity, and sanity are on the way in. Now the railroads will know where they are at, exactly what their competition is; they will know that when they meet motor carrier competition it can no longer further depress rates and debase service. The truck too must adhere to its tariff and furnish sound reasons for its amendment. The tariff will govern *both* sides of the fence.



The importance of this fact alone cannot be easily exaggerated. It makes it possible for the railroads to know exactly what their competition is. At least they will have a fair chance to meet it. Undoubtedly they will meet it more times than in the recent and chaotic past. However, that part of their business lost to private trucks, those owned by manufacturers and not operated for hire, will not be regained as a result of this legislation.

When the Commission and motor carriers study the cost of truck and bus operations and endeavor to relate rates to it, it is likely the result will often be higher charges than are now being assessed. But that does not mean that motor carrier rates will be raised to the level of railroad rates. There is no requirement that truck and bus rates be related to railroad rates. Nevertheless, it appears truck rates on "truckable" freight will be higher than at present and, as a rule, lower than railroad rates, at least for the shorter hauls. Thus, the existing differentials between truck and rail will in many instances be reduced. Consequently, the rail carriers will be brought within closer striking distance of the motor carriers. How much good that will do them remains to be seen. It is possible that some rail rates will increase when it is found they are lower than the new trucking rates. Still, it must be remembered that the law was not intended for the purpose of raising truck and bus rates. It is understood, of course, that we are speaking only of traffic that is actually competitive between trucks and railroads. It need hardly be said this is not all traffic.

Since the expressed purpose of the new law is to encourage and preserve the inherent advantages of motor carriers, and to develop a co-ordinated system upon our 365,000 miles of highways, it is expected that the railroads will abandon their prejudices and link their systems with the motor carriers. Naturally, they were reluctant to do this when regulation was all on one side, although some 42,000 trucks, trailers and tractors have been in use by more than one hundred railroads for pick-up and delivery service, and to a limited extent in short haul service. If the rail carriers further co-ordinate their service with trucks and buses whenever practicable they will be sharing in traffic that for the most part they would otherwise lose. Daniel Willard of the B. and O. some time ago urged that this be done. The Southern Pacific boasts that it combines 3,367 miles of highways and 16,321 miles of railway in a co-ordinated service. Possibly railroad participation in motor carrier operations will prove surprising. They might as well take

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Market Indicators

For Profit

Nickel Plate Asks Extension

The New York, Chicago & St. Louis Railroad Co. has $15,000,000 in 6% notes falling due October 1. Owing, however, to continued unsatisfactory earnings, the company is finding it impossible to refund in the usual way. The noteholders, therefore, are being asked to agree to a three-year extension; if they do, all interest due will be paid on deposit of the present notes, while new notes will be issued when the plan becomes operative. There seems no reason why noteholders should withhold their assent. This year's earnings should cover fixed charges with a moderate margin to spare and the improvement in business that is currently under way holds out hope of better things in the near future. The R F C has agreed to renew the loans that it has made to the Nickel Plate until February 27, 1937.

* * *

Dividend News

Dividend announcements over the past few weeks have been mixed, although the favorable news has outweighed the unfavorable. The increase in the General Electric quarterly payment from 15 cents a share to 20 cents a share was thought to be most constructive and is concrete confirmation of what has been said on the equipments and accessory companies. On the other hand, Safeway Stores declared a dividend of only 50 cents a share, whereas previously the stock had been on a regular annual basis of $3. While Safeway's dollar sales this year have been running considerably ahead of last, the company has been experiencing difficulty with its profit margins and is faced with the extremely drastic California chain store tax. If this tax ultimately becomes effective, Safeway will be harder hit than any other system, for the company has almost 1,300 stores in that state, compared with little more than 100 for the next largest system.

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Gold Dust Reports

Reporting for the fiscal year ended last June 30, Gold Dust Corp. showed a net profit of $2,097,477 after depreciation, taxes, etc. This, after dividend requirements on the $6 preferred stock, was equivalent to 97 cents a share on 1,790,202 shares of common stock—the latter excludes the 35,675 shares of its own stock held by the company. Having just changed its fiscal year to end in June and not December, no comparison is possible. The previous report was for the six months to June 30, 1934, and earnings were equivalent to 48 cents a share, excluding those in the treasury. Although Gold Dust's most recent earnings fail to cover the regular annual dividend of $1.20 which is being paid, the company is very strong financially and can well afford to dip into its liquid resources. Gold Dust has been confronted with two serious problems in recent years: (1) Difficulty in maintaining profit margins on its branded merchandise, soaps and cereals, and (2) Difficulty in properly co-ordinating its many activities, which, in addition to those mentioned include shoe-polishes and washing powders.

* * *

Steel

The manner in which steel operations have held up in the face of declining orders from the industry's principal customers is quite remarkable. Automobile production has begun to taper sharply, tin plate production is off, while railroad buying is still greatly sub-normal. In the face of such conditions one would say that steel operations must fall; yet, they hold like a rock around 50% of capacity. It is apparent that the demand for steel from miscellaneous sources is strong and growing stronger. This is an excellent sign of general recovery; but for the steel industry it is more particularly bright, for the automobile industry is swinging to 1936 models, while the decline in tin plate production also is seasonal. If the steel industry can do so well with such important seasonal factors against it, is it not reasonable to suppose that it will do a great deal better when the seasonal factors again start working in its favor? This reasoning accounts for the strength in steel stocks and, from all that can be seen, it is justified.

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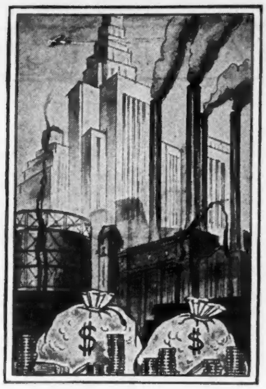
Copper Outlook Better

Sales of copper last month were the best since April, 1934. The industry reports that 249,200,000 pounds of the metal were moved, or almost 1,000,000 pounds more than in July which previously had been considered a good month. There has been steady improvement in copper's statistical position; tremendously heavy stocks have been reduced to the point where they represent only six or seven months' supply at the present rate of consumption. Nor is there any reason to believe that domestic producers will so step up production as to reverse the improving situation, although some increases in production schedules have been announced. The price of copper, of course, at 8¼ cents a pound allows no very wide profit margin and copper company earnings in general will be only moderately above those of last year. It is, however, the improvement in fundamentals that is more important.

While on the subject of copper, it is believed that the Anaconda Copper Mining Co. shortly will offer to the public a $55,000,000 debenture issue. The money will be used to retire bank loans which, at the end of last year, stood just short of $60,000,000. Anaconda, which had suffered most se-



and Income

verely during the depression, turned the corner in 1934, while this year further improvement has been registered. For the first six months, net income of $5,214,882 was equivalent to 60 cents a share of 8,674,342 shares of common stock.

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Detroit Edison to Refinance

The Detroit Edison Co. has filed with the S E C application to issue $49,000,000 in 4% General & Refunding Mortgage bonds. They are to mature in 1965 and the funds raised by the new issue will be used to retire $49,000,000 in 5% bonds, the annual saving in interest charges therefore being slightly less than $500,000 annually. This will equal about 39 cents a share on the 1,272,260 shares of common stock outstanding. Detroit Edison has been benefited importantly by the great increase in automobile manufacturing activity in the Detroit area and, while earnings for the twelve months to June 30, last, at $4.22 a share, were substantially under the $5.76 reported for the previous twelve months period, the difference is accounted for largely by an extraordinary deduction of $1,400,000 in special depreciation.

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Better Business for Equipments and Accessories

The various equipment and accessory companies comprise a large aggregation of more-or-less diverse activities. Yet, taken as a whole no group has done better either from the business standpoint or from the stock market standpoint. Take the electrical equipments: General Electric does much better and increases its dividend, while the swing of Westinghouse Electric & Manufacturing from the "red" to the "black" has been almost sensational and the stock has acted likewise. Then there are the farm equipments, Harvester, Case and Deere, a number of whose plants have been working at capacity in reflection of the farmer's improved purchasing power, and to the great benefit of the steel industry. Or, glance over the machine tool companies and the motor accessories—they have enjoyed almost a boom and, with the plans that are being made for 1936 automobile production, the rise in the price of these stocks seems, in the main, entirely justified. Business equipments also have done well and have rewarded their stockholders. Of the whole group, there is only one laggard section, the railroad equipments, and even among these there are many that are beginning to see brighter times ahead.

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The Swing Towards Centralization

Over the next year or two it is to be expected that there will be a pronounced swing towards centralization and concentration in corporate structures. The Holding Company Bill, of course, even though it be held unconstitutional eventually, will be a potent factor in bringing this about in the utility field. At the moment a number of large public utility organizations are hard at work on plans to consolidate different phases of their business and considerable progress is being made. Such a tendency, however, is becoming evident in other fields. Only the other day, the United States Steel Corp. announced that production and sales of the Carnegie Steel Co. and the Illinois Steel Co., two wholly owned subsidiaries, would be merged as of October 1.

Although not subscribing to Washington's attitude towards holding companies, undoubtedly it is desirable for corporations to possess as simple a capital structure as is compatible with efficiency in the business. However, with forty-eight states having different laws for corporate organizations, extremely simple capital structure are not always feasible, although it is likely that the movement can, and should, go considerably further without endangering the investor's savings.

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Higher on Fall Prospects

Currently selling at $50 a share, the common stock of R. H. Macy & Co. is selling at, or close to, its high for the year. Undoubtedly, this reflects the belief that the big New York department store is to be a beneficiary of the expected fall upturn in retail trade. So far this year, while improved, retail trade in urban areas has made a sorry comparison with that of rural districts. However, much of the money spent in the country must filter sooner or later to the cities and it is this anticipation that has resulted in the strength of Macy and other store stocks. Unfortunately, in the case of Macy there is no recent concrete evidence of the progress being made. The company publishes no interim reports, but for the fiscal year of 53 weeks ending February 2, 1935, the consolidated net profit of the organization was equivalent to $1.95 a share on 1,501,613 shares of common stock, excluding those held in the treasury.

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Liquors Look Forward to a Good Last Quarter

The summer months are relatively slow ones for liquor sales, but this year they held up better than had been expected. This being the case, it is argued that the seasonally good fall will be better than usual. If liquor sales have any connection with general business activity—and they presumably do—the contention appears to possess firm foundations. While sales volume is not the same thing as profits, the well-

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Reorganized Company Has Bright Outlook

Bonds, Two Preferreds and Common Shares Offer Various Types of Participation in the Come Back of Motion Picture Leader

By Edwin A. Barnes

FOR some time investment interest in the former Paramount Publix Corp., has of necessity been of a strictly speculative character. Early in 1933 the company was thrown into receivership and its various securities relegated to the doubtful category which that condition connotes. After more than two and a half years of receivership, however, the properties of the company were recently turned over to a new company—the Paramount Pictures Corp.—which begins its career with every opportunity to regain the prestige and profits of the predecessor organization. Evolved from a thoroughgoing reorganization, and having now a capitalization which a major company with an established business should find readily supportable, the securities of the new company offer worthy candidates for both investment and speculation.

The difficulties which led to the Paramount receivership were almost entirely financial. The company suffered no serious loss of competitive advantage and its primary function as a major producer, distributor and exhibitor of motion pictures was not altered. The motion picture industry as a whole, while not immune from the effects of general business depression, fared better than many others, despite the implications suggested by the fact that all but two of the major producers were forced into receivership. The underlying cause in each instance was the same—untimely and reckless acquisition of costly theater properties.

In the headlong race to annex theaters, in which all of the leading producers except Loew's and Columbia Pictures competed, Paramount with a chain of some 1,600 theaters led by a considerable margin. Unlike its rivals, however, which sold bonds to pay for theater properties, Paramount, with what was regarded as shrewd foresight, paid for its acquisitions with stock. Unfortunately, Paramount contracted to repurchase such stock within two years, at a price of $80 a share. The 1929 bull market was booming, so was the motion picture business, and Paramount directors, who had kept this particular financial arrangement more or less a secret, doubtless envisaged no difficulty whatsoever in carrying it out. Alas, for their optimism. Came the historical market crash of 1929, the forerunner of an unprecedented business depression. Paramount stock never sold at $80, and at the depths of the depression hit a low of 12½ cents a share. As a consequence, the company found itself saddled with a $12,000,000 obligation at a time when earnings were feeling the worst of adversity.

Heroic measures were called for and they were initiated through the able person of John D. Hertz, who was persuaded to accept the chairmanship of the finance committee. Salaries were reduced $6,000,000, rentals adjusted and production expenses drastically curtailed, for an aggregate reduction of some $39,000,000 in the company's budget. Such economy in the motion picture business was unheard of and disgruntled executives, directors and talent were finally instrumental in forcing Mr. Hertz to resign. Things went from bad to worse and in 1933 Paramount defaulted its bond interest and was thrown into receivership.

In receivership, Paramount continued to operate pretty much as it had before. Most of its theaters remained open, albeit at sharply reduced admission prices, and its studios continued to turn out feature releases. Aided by somewhat better business generally and the success of several of its feature pictures, notably one starring Mae West, Paramount began to make money again. For 1933, the company showed a net operating profit, before taxes, of $5,692,000. In other words, the company was maintained as a going organization, with operations but little im-

paired by receivership, while receivers undertook the composition of the company's funded debt, bank loans and creditors' claims.

Paramount-Publix operated as a holding company, having numerous operating subsidiaries, a condition hardly conducive to the early formulation and the carrying out of a reorganization which would satisfy everyone. It was necessary that any reorganization plan be so conceived as to provide for the elimination or reduction of claims, provide for additional cash, and at the same time avoid long drawn out and costly litigation. The plan evolved, and approved by the United States District Court early this year, did all of this and in a manner which seems likely not only to prove acceptable to all interested parties, but which should ultimately restore the earning power and credit of Paramount.

Plan Reduces Claims

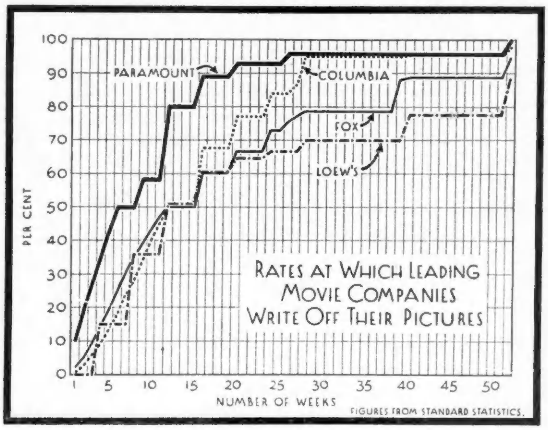
The reorganization managers were confronted with claims aggregating a total of $297,702,162, after eliminating duplications and excluding claims for indeterminate amounts. The plan contemplates a reduction in these claims to about 20% of the original total. A claim of $178,543,653 relating to the Paramount Broadway Corp., a subsidiary was eliminated by a separate reorganization of that company, as was a claim by the Allied Owners Corp. of $23,644,255 reduced to $5,000,000. In addition, general claims amounting to $26,152,611 were reduced to $10,785,595. Old debentures, plus accrued interest to January 1, 1935, added $28,621,310 to these claims.

The total of revised claims amounts to $55,000,000. This figure, however, may be subject to some further adjustment but it was provided that the plan would not be carried out if such claims or additional claims for any reason exceeded $65,000,000. In this connection it is to be noted that the various legal firms, committees and others which prepared the reorganization have filed claims to the amount of $3,600,000, although it is confidently expected that these will be scaled down substantially before they are approved by the Court.

Assuming the figure of $55,000,000, however, as being a practicable estimate, under the terms of the plan these claims will be settled on the basis of one-half in new debentures and one-half in new 6% first preferred stock. Holders of the common stock of the old company received, for each share held: one-quarter share of common stock in the new company and a warrant permitting subscription to one-quarter additional share of new common stock and one-fifth share of second preferred. Inasmuch as the number of common shares of the new company are to be exactly half the common stock in the old company, exercise of the warrant will permit old stockholders to retain their proportionate equity, while failure to do so will mean that their equity has been halved.

The sale of second preferred shares will provide the company with about $6,500,000 in additional cash bring total cash to some $20,000,000 and on the basis herein utilized capitalization of the new company will consist of $27,500,000 6% debentures; $27,500,000 6% convertible first preferred stock, $100 par value; $6,441,000 6% convertible second preferred stock, $10 par value; and 1,610,452 shares of common stock. Both the second preferred stock and the additional common stock have been underwritten.

Interest on the new 6% debentures which mature in 1955 began on January 1, 1935, and the July coupons have been paid. Total annual interest requirements on this issue will amount to $1,650,000. Some idea of the coverage which might be expected for these debentures is suggested by recent earnings of the company. Net income for the first nine months of 1934 totaled $4,530,000, and if it is assumed that net for the full year was no more than $5,000,000, interest requirements on the debentures would have been covered better than three times. In the first three months of the current year, normally the most profitable period for the motion picture industry, interest charges for the period were covered 5.8 times, on the basis of net earnings of $2,411,414. Beginning in 1936 a sinking fund will operate until the debentures are retired, amounting to one-third of the earnings after preferred dividends or 2% of the debentures outstanding, whichever of these amounts may be larger. Therefore, while the debentures are unsecured they merit favorable consideration as a medium grade industrial investment, yielding an attractive return. Recently quoted at 96 they yield 6.2%.



Earnings and Dividends

Dividends on both classes of preferred stock are cumulative from January 1, last, and for the first preferred shares the total annual requirement amounts to $1,650,000, while dividends on the second preferred issue amount to only $386,460. Computing available earnings on the same basis as above, and allowing for interest on the debentures, dividends on the first preferred shares would have been covered about twice, while the smaller requirement on the second preferred issue would have been earned many times over. The coverage was considerably wider in the initial three months of the current year, although the strong seasonal influence at that time makes it inadvisable to use these results as a basis for probable earnings for the full current year.

Nevertheless, it is reasonably substantiated that interest and preferred dividends are safely within the company's normal earning ability and regular dividends should shortly be inaugurated. At recent levels of 93 and 12¼ for the first and second preferred issues respectively, both issues would return a generous yield, to which the inducement of an interesting convertible feature is added. The first preferred shares are convertible into six shares of common stock, while ten shares of second preferred may be converted into nine shares of common. With the new common currently quoted around 11, the conversion feature promises to be of value sooner on the second preferred, and the latter issue in addition to affording a potential return of around 5% partakes of the speculative possibilities for price appreciation offered by the common stock.

As to the immediate earning power of the common stock, this is difficult to gauge due to the likelihood that non-recurring expenses growing out of

(Please turn to page 566)

Can We Expect Higher Prices for Bank Stocks?

New Banking Act an Important Factor in the Outlook

By James M. Edwards

NOW that the Banking Act of 1935 has set up a mechanism designed to provide Federal control of the expansion or contraction of credit, interest turns to the probable effects upon banks, bank earnings and bank stocks. What is the outlook?

The purpose of this brief article is to summarize the favorable and unfavorable factors. Since short-term and long-term influences often are at variance with each other—and so appear to be in the case of bank stocks—it is necessary to approach the question from two points of view.

The Short-Term View

With reference to the short-term outlook, the most important consideration is that bank stocks, and notably shares of the leading New York City banks, have had a major advance during the past three months. In some instances this belated recovery carried prices to double the year's low. The movement was very similar to that in public utility common stocks. Bank stocks long had been out of favor. Like utilities they had reached an "oversold" position at which reasonably secure dividends yielded an abnormally high return.

As the year's recovery in the stock market broadened out, the attention of buyers seeking yield concentrated rather suddenly on these issues, sending them up with a rush. On the basis of present prices, moderately reduced from recent highest quotations, yields on the most favored New York City bank shares range from a bit over 3% up to 5%.

Such yields on stocks of strongly situated industrial corporations can be justified in the present period of low money rates. They are less easy to justify as applied to bank stocks, since the basic investment status of such securities has been weakened by increasing political control and other longer-term influences which we will discuss hereafter.

For the short term, therefore, one must conclude that bank stocks at prices 75% to 100% above the year's lows are not particularly attractive either for investment or speculation. The great majority of such issues, having no listed market, are subject to volatile price swings. On the record for many years, these relatively sharp intermediate swings usually lag from two to three months behind the swings of the general stock market. There was such a lag on the recent advance, but it is at least open to question whether the reverse will prove true in the event of general stock market reaction. The scope and pace of the advance, as was the case in utilities, have been such as to suggest more than average risk in new commitments.

As for the long-term prospect of bank shares, anyone considering investment in these issues will have to balance a considerable list of favorable factors against unfavorable factors.

The "socialization" of banking is definitely an unfavorable factor of major importance. In each session of Congress under the New Deal there has been legislation tinkering with the banking laws. One would have to be most optimistic to assume that a condition of permanent stability in this respect has now been reached or that still more legislative changes will not inject fresh uncertainties into the banking picture at almost any session of Congress.

Secondly, the coming elimination of double liability for bank stockholders will be considered by many investors, and particularly institutional investors, to be more than offset by the potential unlimited liability involved in blanket deposit insurance. The danger is not the present assessment of 1/12 of 1% of deposits, though this is a burden to large banks which have a large percentage of deposits which are over $5,000 and thus not insured. In an inflationary cycle no difficulties will be presented, but the long-term investor will look ahead to the next period of credit contraction and the possibility, if not probability, of ultimate assessments much heavier than the present 1/12 of 1%.

Again, it appears unlikely, as far ahead as one can now see, that banks will have the money-making opportunities that were open to them in the period of credit expansion from 1921 to 1929. Interest rates in that period averaged substantially higher than they are likely to average for some time to come. The demand for business credit then averaged much higher

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Position of Leading New York City Bank Stocks

	Book Value Per Share June 30	Earned Per Share 1st 6 mos.	Dividend	Approx. Recent Price	Yield %
Central Hanover	$78.59	$3.02	$4.00*	$110	3.6
Chase National	23.00	.97	1.40	33	4.2
Chemical Bank & Trust	34.36	1.21	1.80	46	3.9
Bankers Trust	35.32	2.02	2.00*	59	3.4
National City	22.95	1.08	1.00	30	3.3
Corn Exchange	42.05	2.05	3.00	55	5.4
Guaranty Trust	296.74	5.75	12.00	300	4.
Bank of New York	276.07	11.44	14.00	440	3.2
First National	1003.02	60.84	100.00	1700	5.9
Irving Trust	21.58	.42	.60	15	4.
Manufacturers Trust	26.25	.50	1.00	32	3.1
United States Trust	1490.72	45.47	70.00	1836	3.8

* Recently reduced

Low-Priced Dividend Payers

Combining Income with Prospects of Price Appreciation

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

P. Lorillard Co.

The attraction in the common stock of P. Lorillard Co. at recent quotations around 24 lies in a reasonably safe yield of 5% on the $1.20 dividend and possibilities of moderate appreciation for the patient holder who is more impressed by percentage gains than speculative points.

The company is the fourth largest in the tobacco industry—an industry characterized by a long history of

Earned Per Share 1933	1934	Div.	Recent Price
$0.89	$1.15	$1.20	$24

gradually expanding consumption, especially as regards cigarettes, and relatively satisfactory profits. The problem of each company in this field, including Lorillard, is to obtain or keep a favorable share of the available market at prices affording a reasonable margin of profit.

Lorillard was the last of the Big Four of the industry to make a national splash in the cigarette competition. It spent large sums promoting its "Old Gold" cigarettes and is understood to have derived profits therefrom only in recent years. Aided by a net advance of 53 cents per thousand in the wholesale price of cigarettes early in 1934, it earned for that year $1.15 per share of common, as compared with 89 cents in 1933, $2.02 in 1932, $2.12 in 1931 and $1.48 in 1930.

In relation to total Lorillard profits, it can not be said that "Old Gold" thus far has achieved a dynamic success. The largest proportion of revenues, it is understood, continue to derive from smoking and chewing tobaccos, little cigars and Turkish cigarettes.

Since the company does not issue interim reports, this year's profits are necessarily subject to some conjecture. Tobacco consumption in general has improved. Whether materially higher prices for raw tobaccos have yet raised total inventory costs enough to retard profits remains to be revealed. Like other companies in this industry, Lorillard carries a large inventory and is understood to average the cost. Inventories of some $32,000,000 shown in its last report were nearly 60% of working capital and more than 50% of total assets.

The company paid an extra dividend of $1 earlier this year, in reflection not of earnings, but of cash holdings in excess of operating needs. Cash items in the last balance sheet exceeded $20,000,000. Thus, the present $1.20 dividend may be considered assured, though it was not quite earned last year. Obligations prior to the common consist of $14,167,250 in bonds and 98,000 outstanding shares of 7% cumulative preferred stock.

In the event the A A A processing tax on tobacco is nullified in Supreme Court test the result should improve profit margins of the processors, including those of Lorillard, for this burden has been absorbed by the industry and not passed on to consumers.

United States Freight Co.

The difference between the rates charged by the railroads on carload lots and less-than-carload lots makes business and profits for the United States Freight Co. It is a freight forwarder, handling less-than-carload shipments for some 125,000 customers at a savings under the cost of direct-rail shipment.

It collects such shipments, lumps them into carload lots, routes them over the railroads to the necessary terminal points and redistributes them. For this purpose it maintains branch or freight offices in some 100 cities and owns various warehouses and trucking subsidiaries.

For obvious reasons, the company's revenues fluctuate very closely with general business activity. Thus, in 1932, bottom year of the depression, its gross was $24,000,000; in 1933, $28,000,000; in 1934, $33,000,000; and for the first six months of this year, $18,561,000—the latter figure indicating a probable full year gain of around 12% or more over last year.

Unlike the railroads, United States Freight has the great advantage of not having to sweat blood to meet bond

Earned Per Share 1st 6 Mos. 1934	1st 6 Mos. 1935	Div.	Recent Price
$0.55	$0.90	$1	$21

interest, the sole capitalization consisting of 299,640 shares of one-class stock. Accordingly, it was able to show profits equal to 43 cents a share in 1932, $1.74 in 1933 and $1.01 in 1934. The decline in 1934 net, as compared with 1933, despite larger gross revenues, was due to increased costs. The report for the first half of this year, however, indicates either that costs have stabilized or further gains in volume have overtaken them, the profit for this half-year having been 90 cents per share, against only 55 cents in the first half of 1934.

The margin of profit, in relation to gross, is a small one; gross revenues for the six months having been $18,561,440 and expenses $18,205,614, leaving operating profit of $355,826 and net of $269,870. Neither in this slim margin, the nature of the business nor in the company's financial position—which is adequate for its needs but not more so—can the stock be regarded as of investment caliber.

Nevertheless, United States Freight has come through the depression with a favorable record and the business trend is now unquestionably in its favor. Peculiarly enough, its revenues and profits appear to indicate that it has not suffered seriously from motor truck competition. On the whole, the stock must be accorded distinct speculative

merit since current earnings amply cover the regular $1 dividend. At the recent price of 21, the yield is more than 4.7%.

Bridgeport Brass Co.

Although a newcomer to the New York Stock Exchange, there is nothing recent in the formation of the Bridgeport Brass Co., for it was originally incorporated in 1865. The company is a manufacturer of, and dealer in, brass, copper and other alloys in various forms. It also is a manufacturer of certain finished products. These include various plumbing accessories, flashlight cases, thermostats, etc.

The company's record reveals large

Earned per share 1st 6 months 1934	1st 6 months 1935	Div.	Recent Quotation
$0.49	$0.60	$0.40	$14

fluctuations in earning power. A deficit was reported for each of the years 1930, 1931 and 1932, the amount of the loss in the last year being almost $1,000,000. Yet, if the company's earnings went downhill fast, reflecting the course of general business, they also rose rapidly when general business commenced to improve. For 1933, net income amounted to $315,000, while in the following year this was almost doubled with net income totalling $577,000. Last year's earnings were equivalent to $1.11 a share on 520,992 shares of no-par common stock, the amount outstanding at the end of the period.

The number of shares has since been increased by the exercise of the conversion privilege attaching to the 6½% debentures. There was also an increase owing to options being taken up by officers and others. Thus, the earnings of the Bridgeport Brass Co. for the first six months of 1935, amounting to $374,842, were equivalent to 60 cents a share on 626,955 shares of common stock. Net profit in the first six months of 1934 totalled $306,669 and this was equal to 49 cents a share, computed on the same number of shares. The retirement of the debentures left the company with its common stock the sole capital liability. An initial dividend of 10 cents a share was declared in December, a year ago, and the company has paid 10 cents a share quarterly since. On the basis of a 40-cent annual dividend, the stock at its currently quoted price of $14 a share yields slightly less than 3%.

The outlook for all divisions of the metal industry has improved greatly; volume is up and, with the price trend also upward, there is no problem of inventory write-downs. Bridgeport Brass has shared modestly in the improvement and disregarding intermediate minor fluctuations in earning power, should continue to share over the longer term. It should not only be a beneficiary of greater industrial activity, but the better progress now being made by building also should be an important aid.

Hercules Motors Corp.

Hercules Motors Corp. is a manufacturer of internal combustion engines, both gasoline and Diesel. Although the former is still by far the most important section of the company's business, the demand for Diesels has sharply increased and the possibilities that obviously exist in this field has been the cause of the speculative attention recently given the stock. The company finds a number of diverse out-

Earned per share 1933	1934	Div.	Quotation
$0.24	$0.69	$1	$24

lets for its products. These include trucks, buses, tractors and other agricultural and road-building machinery, pumps, hoists and dozens of other miscellaneous industrial uses.

Hercules Motors lost money during 1932, the depth of the depression, although there has been steady improvement since. For 1933, earnings were equivalent to 24 cents a share of common stock, while 1934 was still better with earnings equivalent to 69 cents a share. For the first three months of 1935, net profit was equivalent to 30 cents a share, compared with only 6 cents in the corresponding previous period.

Capitalization is as simple as possible. There is neither funded debt nor preferred stock, the sole capital liability being represented by 310,000 shares of common stock of no par value. Working capital position is strong in proportion to the size of the company. At the end of last year, total current assets amounted to $2,295,000, of which more than $900,000 was in the form of cash or marketable securities, while current liabilities totalled $304,000. The common stock of the Hercules Motors Corp. has just been placed on a regular annual dividend basis of $1, against 60 cents previously, while last December an extra of 15 cents was paid. On the basis of the regular dividend alone, the return on today's price for the stock of $24 a share is about 4.2%. This is not high, of course, but there are possibilities that another extra may be paid. The outlook for the company's business continues good, as general industrial activity maintains its upward trend.

International Nickel Co. of Canada, Ltd.

The profit reported by the International Nickel Co. of Canada, Ltd., for the June quarter this year was larger than that reported for any quarter since the third in 1929. It amounted to $5,420,615, after depreciation, interest, taxes and other charges, and was equi-

Earned per share 1st 6 months 1934	1st 6 months 1935	Div.	Recent Quotation
$0.62	$0.64	$0.80	$29

valent, after dividend requirements on the company's 7% preferred stock, to 34 cents a share of common stock. This, added to the 30 cents a share reported for the first quarter, brought the half year's earnings to 64 cents, compared with 62 cents in the first half of 1934.

Reflecting the improvement that has taken place in Nickel's business and as a gesture of confidence in the future, the directors last month declared a dividend of 20 cents a share, whereas only 15 cents a share had been declared for the four previous quarters. Although there is considerable logic in the contention that the stock is no bargain even on the basis of an 80-cent annual dividend and earnings of, say, $1.40 a share, nevertheless there are offsetting factors.

The International Nickel Co. of Canada, Ltd., possesses a virtual monopoly. It is, moreover, a monopoly of a metal that has become absolutely essential to modern industry and for which new uses are being constantly developed. The company's President said only the other day that the industrial uses for nickel have increased to such an extent that the amount of nickel consumed by peace-time industries today is far greater than the volume that has ever gone into war activities. It is worth noting that International Nickel itself is largely responsible for this gain in consumption through the research activities that it is constantly carrying on. It operates a laboratory dealing

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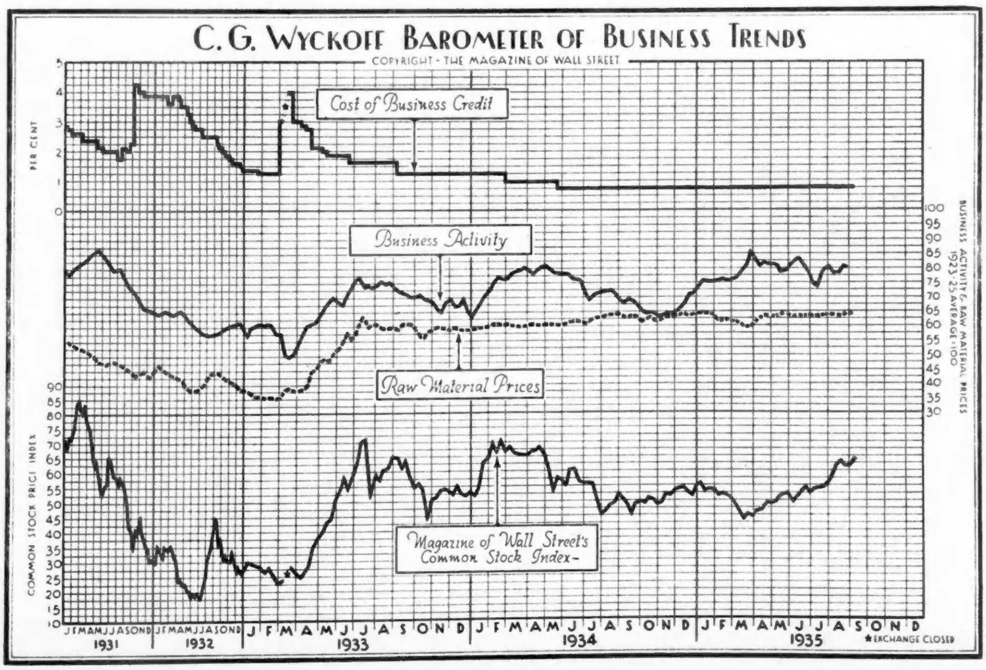
Taking the Pulse of Business

— Steel in Small Recession
— Copper Sales Improve
— Oil Outlook Clouded
— Movie Attendance Higher
— Strong Furniture Demand

CONSIDERABLE improvement during the past fortnight in the majority of industries which enter into our Business Activity index has sufficed to a little more than offset the recent mild recession in steel operations and the sharp curtailment in automobile assemblies preparatory to bringing out new models; so that the physical volume of production throughout the country shows a slight increase for the two weeks' period and exceeds last year's low level by about 14%. Generally speaking, however, the business reports which have come to hand since our last issue indicate a moderate, and probably temporary, slowing down in tempo. If automobile production were normal for this time of year, the country's total business volume would be close to the best level yet reached on the recovery; so that rather sharp improvement is likely to take place within a month or two when automobile plants swing into production on fall models. Last year the upturn did not start until the second week in November.

The growing need for replacing obsolete and worn out equipment continues to offer hope of a gradually rising demand for capital goods which should drag the country up out of the depression; yet recent evidence of slackening in rural and urban incomes, accompanied by some slowing down in the rate at which domestic retail sales have been expanding, carries the suggestion that improvement this autumn may not be quite so vigorous as had at first been anticipated. True, dividends declared in August were nearly 5% more liberal than a year ago; but business payrolls in July, owing largely to delays in getting the Government's work relief program into operation, were 1.3% lower than last year. Lengthening of working hours since the demise of NRA has caused a rise in real wages on a weekly basis to about last year's level; but this has been accompanied by scattered reductions in hourly wage rates, and brought the estimated number of unemployed workers up to 10,015,000 in July, an increase of 1.9% over July, 1934.

Our foreign trade in July registered a gain of 18% over last July, compared with an expansion of only 9% for the first seven months; but a report that department store sales in the New York metropolitan area for the first half of August were only 1.8% better than last year came as a disappointing surprise, while news that farm income in July fell 11% below a year ago brought the unpleasant reminder that farmers have less to sell now and that annual comparisons of farm income henceforth will reflect the consequences of last year's drought. This helps to explain why Sears, Roebuck's sales last month were only 21% better than a year ago compared with a 39% gain for the preceding month. Further evidence of improvement in the heavy goods field is seen in the report of new orders for steel sheets placed in July, which were the largest since January and nearly 30% heavier than last year, while construction contracts let during the first half of August showed a gain of 58% over the like period a year ago, with residential contracts up 136%. Nevertheless, no boom in capital goods



can be expected until the railroads and utilities emerge from their present difficulties.

During the past fortnight Italo-Ethiopian war preparations, along with renewed talk of inflation consequent upon threats of soldier bonus legislation next year, have caused a spurt in the metal division of our Raw Material Price Index; yet wholesale prices, excluding food and agricultural staples, remain somewhat beneath last year's level. Lower prices for high grade bonds including Governments, in the face of an abnormally low Cost of Business Credit, also reflect inflation fears.

The Trend of Major Industries

STEEL—A belated seasonal drop in activity at tin plate mills to 65% of standard running time has been chiefly responsible for a recession of 1½ points in the country's steel ingot rate over Labor Day. Operations are still well above the pay level, however, and 150% higher than last year at this time. Makers of hot rolled carbon steel bars have openly announced quantity discounts of around 5%, which is expected to induce large consumers to anticipate requirements and thus eliminate the expense of filling smaller orders piece-meal. Auto parts makers have already started shipments to motor car manufacturers and it is expected that production of new models will be generally well under way by the end of September. Nevertheless, it would appear that any noteworthy bulge in steel output this autumn must come from structural and heavy requirements; since the motor industry can not be expected to take tonnage at anything like the spring rate.

METALS — Domestic sales of copper during August amounted to 249,000,000 pounds, an increase of 99,000,000 pounds over July's large total. Buying abroad continues in fair volume at prices corresponding to 8¼ cents, c. i. f. European ports. During the first six months Europe acquired about 10% more of the red metal than for the corresponding period a year ago, most of the increase being attributable to war activities of Italy and Japan. Should the dispute between Italy and Ethiopia be settled peaceably, as now seems possible, there should be a noticeable lull in demand for non ferrous metals. Apparent world consumption of tin for the first six months ran 14% ahead of the like 1934 period; but, with domestic tinplate demand now entering its period of seasonal slackening, it may be difficult for the Tin Pool to sustain the present price level in face of its recently expanded production quota. Silver is being pegged by the Treasury at the new lower level of 65⅜ cents.

PETROLEUM — Though crude output fell off a little during the past fortnight, no control has yet been effected in California, where major producers have posted drastic price reductions in hopes of thus forcing curtailment upon recalcitrant small producers. Unless this expedient succeeds, there is danger that demoralization in California may spread to other fields when seasonal influences bring about reduced consumption of gasoline. Revenues from sale of natural gas during the first six months totaled $189,000,000, a gain of 7% over the like period of 1934; though manufactured gas sales of $196,000,000 show a decline of 1.1%.

FINANCE COMPANIES—Private finance companies which make a business of discounting install-purchase contracts for dealers are much exercised over the competition offered by F H A, which offers considerably lower interest charges and longer periods for repayment to purchasers of a long list of household and business equipment. Fortunately, however, F H A is prevented by law from handling automobile paper which is the largest single item in the income of private finance companies.

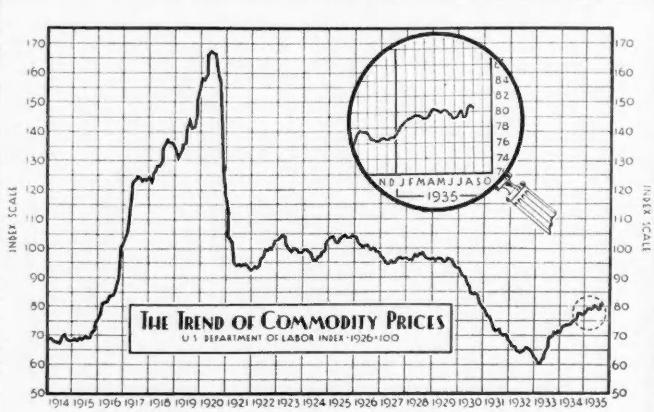
AMUSEMENTS — Railroads, steamship companies, hotels, and the movie industry are beginning to reap the benefits of improving business conditions in happy conjunction with greater leisure. In some cities movie theater attendance over Labor Day set the best record in six years; though admission prices are, of course, considerably under boom time rates.

FURNITURE—Although both wholesale and retail divisions of the furniture industry went into a seasonal tail spin in August, sales generally are 25% above last year, with the Pacific Coast reporting a 34% increase.

RAILROADS—It is estimated that the new Railroad Pension Act will cost the carriers about $20,000,000 annually over and above previously existing pension outlays.

Conclusion

Unseasonably sharp curtailment in automobile production, delays in getting the Government's work relief expenditures into circulation, and a reduced farm income in consequence of last year's drought, are temporarily reducing the country's ability to absorb goods; though sales of jewelry, furs, and other luxuries continues to hold up under rising dividend disbursements and stock market profits. Reflecting these uncertainties the Common Stock Index has been backing and filling for several weeks while investors endeavor to appraise the effect which recently enacted legislation of questionable constitutionality may have upon the pulse of business. There is a possibility that unsettlement resulting from litigation over major New Deal laws may retard a recovery upon which the party in power is staking its chances for re-election next year.

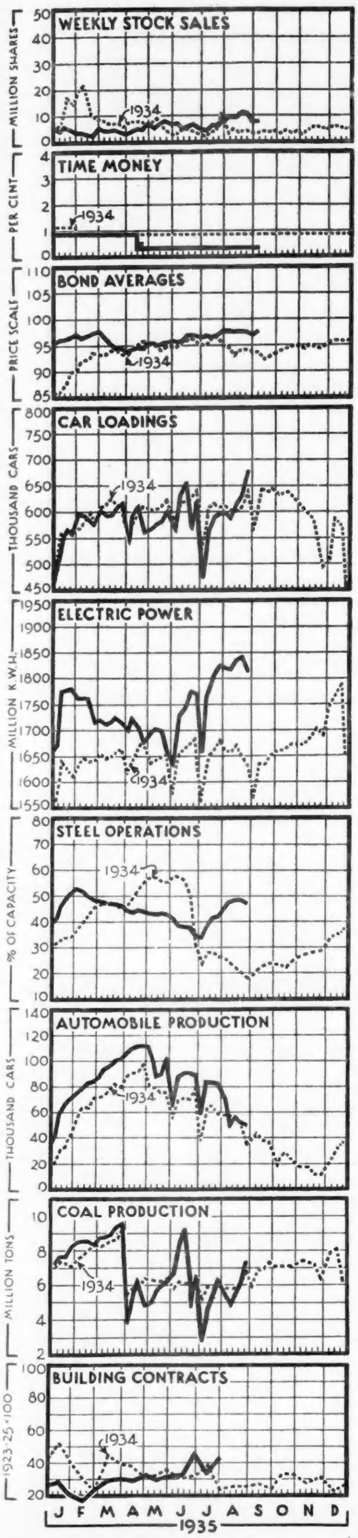


Changes in Major Commodity Price Group for the Fortnight Ended August 31, 1935

Farm Products	down	1.1	Metals	up	0.2
Foods	up	0.6	Building materials	up	0.2
Hides and leather	up	0.3	Chemicals	up	0.3
Textiles	up	0.4	Housefurnishings	up	0.1
Fuel and lighting	no change		Miscellaneous	down	0.1

The Magazine of Wall Street's Indicators

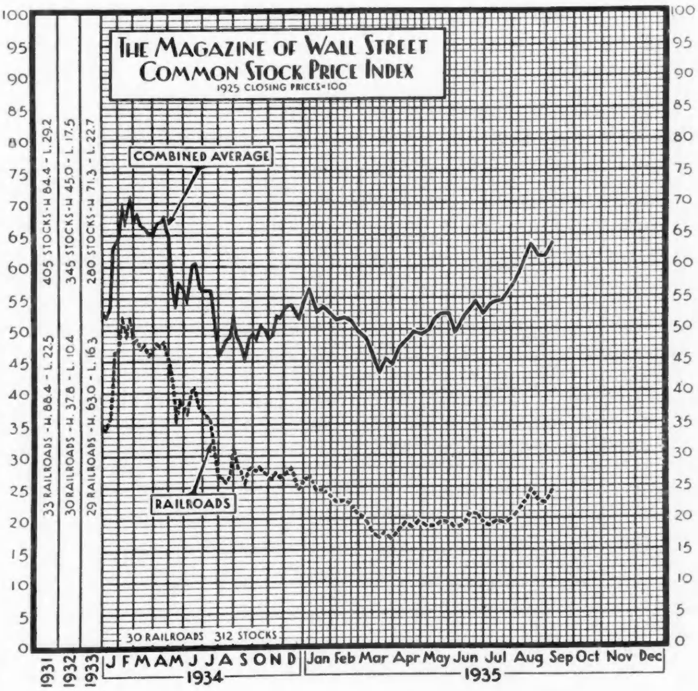
Business Indexes



Common Stock Price Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Aug. 24	Aug. 31	Sept. 7
71.2	45.0	54.6	288	COMBINED AVERAGE...	63.8	43.0	61.2	61.2	63.8h
105.7	44.2	87.0	5	Agricultural Implements....	93.0	64.1	86.9	88.1	93.0h
42.3	20.2	27.1	6	Amusements..............	34.4	17.8	29.1	31.1	34.4h
58.9	35.2	55.5	13	Automobile Accessories....	83.5	44.6	76.9	78.0	83.5H
24.9	11.8	14.2	13	Automobiles.............	16.8	8.8	11.8	12.6	13.7
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	65.1	41.3	64.1	64.2	65.1h
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	12.8	7.9	12.8	11.6	12.4
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	243.2	184.9	233.8	237.9	234.4
136.0	100.0	131.6	4	Business Machines........	148.5	113.7	142.5	142.3	148.5H
229.5	178.9	227.5	2	Cans....................	301.6	226.1	287.5	287.0	297.5
210.5	134.3	167.2	8	Chemicals...............	183.9	144.6	176.2	176.7	183.9h
37.2	22.1	28.8	16	Construction............	32.5	22.6	31.3	31.0	32.2
70.1	40.1	43.8	5	Copper..................	67.9	35.7	67.0	66.7	67.9h
37.0	25.7	32.0	2	Dairy Products...........	33.4	27.5	32.4	32.0	31.4
26.8	16.4	21.2	8	Department Stores........	22.9	16.0	21.7	21.8	22.9h
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	56.1	63.0	62.4	66.0
91.3	59.1	78.7	3	Electric Apparatus.........	135.8	70.1	124.9	124.2	135.8H
211.2	103.8	211.2	2	Finance Companies........	269.1	211.2	256.2	263.2	267.2
64.0	51.1	58.3	7	Food Brands.............	59.4	51.8	55.9	53.9	55.4
71.1	55.1	55.7	4	Food Stores.............	56.4	46.5	53.4	53.2	52.5
58.8	36.2	45.4	3	Furniture & Floor Coverings	56.1	32.1	53.7	53.0	54.8
1372.0	1106.0	1164.9	3	Gold Mining..............	1209.7	1044.9	1053.1	1072.8	1102.0
35.6	25.1	35.6	5	Household Equipment.....	41.7	35.3	40.0	40.8	41.3
31.8	19.3	20.8	4	Investment Trusts.........	31.3	17.0	28.7	28.7	31.3h
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	284.1	223.6	284.1h	260.1	279.6
53.4	34.2	44.2	2	Mail Order..............	60.1	36.0	56.3	56.6	60.1
88.6	51.9	62.0	3	Meat Packing............	62.2	34.5	44.8	44.9	44.3
160.1	117.4	127.8	11	Metal Mining & Smelting..	147.5	109.4	147.5	146.1	145.4
86.8	52.0	58.2	23	Petroleum...............	71.5	51.3	70.0	66.0	66.0
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.6	15.9	19.6	20.1	21.6h
72.8	32.1	34.8	18	Public Utilities..........	68.3	23.0	52.4	56.8	58.5
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	29.3	41.2	40.8	42.9
52.0	24.5	25.8	25	Railroads...............	26.7	16.5	22.9	22.4	24.3
15.9	6.0	8.8	3	Realty..................	10.4	5.2	10.4h	9.3	9.8
50.2	28.9	41.6	3	Shipbuilding.............	54.3	28.5	51.6	54.3H	53.7
77.0	42.0	54.4	10	Steel & Iron.............	76.7	37.6	72.0	72.8	76.7H
31.3	20.4	22.2	5	Sugar...................	30.4	21.1	26.4	26.1	28.5
214.0	131.5	143.2	2	Sulphur.................	150.3	122.5	147.0	145.7	148.6
70.3	40.2	45.2	3	Telephone & Telegraph....	63.0	34.2	58.6	59.0	60.2
65.8	37.5	47.8	8	Textiles.................	56.9	34.7	53.1	52.3	54.1
14.6	7.6	9.0	5	Tires & Rubber...........	9.3	6.0	7.6	7.6	8.2
88.6	66.5	84.7	4	Tobacco.................	98.3	77.2	97.7	97.3	97.5
73.5	43.5	65.0	3	Traction.................	85.4	51.0	78.6	79.2	85.4H
275.5	43.6	258.2	3	Variety Stores............	281.8	219.7	267.6	276.8	279.2

H—New HIGH record since 1931. h—New HIGH this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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AMERICAN RADIATOR & STANDARD SANITARY CORP.

I have watched American Radiator advance since you recommended it in your magazine, and having taken profits on some others, I am wondering if you think American Radiator is bound higher. Incidentally, I have been told some dividend action is possible this year.—N. A. E., Utica, N. Y.

The upturn in residential building activities, fostered by the Federal Government and gaining naturally through gradual economic recovery, is well reflected in the operations of American Radiator & Standard Sanitary Corp., which showed a profit for the common stock in 1934, for the first time since 1930. For the first half of this year, profitable operations have continued, domestic business showing an increase of between 40% and 50%, closely following the gain of about 58% in residential building contracts for the period. New building awards in June were almost double those of a year ago and were the highest for any month since October, 1931. Net earnings of American Radiator & Standard Sanitary for the year 1934 were $1,455,277, equal to 11 cents a share on the common stock, contrasted with a loss of $881,575 in 1933 and of $5,990,986 for 1932. Despite the severe losses of the previous years, the company has maintained an exceptionally strong financial condition, reporting current assets on December 31, last, of $59,921,863, including $20,002,247 cash and $847,158 in Government and municipal bonds, whereas current liabilities were only $6,061,840. The economies and efficiency developed during the "lean" years are shown by this strong financial position, and indicate how well the company should be able to take advantage of better business conditions. In contrast to the past difficulties of the domestic field, the foreign business of American Radiator & Standard Sanitary has continued to make a satisfactory showing, it being reported that there has been much less depression in building in Europe than we have had here. Consequently, the eleven foreign affiliates of American Radiator & Standard Sanitary Corp., having plants in the principal European countries, have enjoyed stable business which helped to sustain the parent company. The best showing so far this year in the domestic branches has been in the sanitary ware division, as supplies of this kind have been in greater demand than heating apparatus which generally is not required until about four months after a residential building operation starts. Sales of sanitary ware for the first half of this year have been about 60% ahead of the corresponding period of 1934, and prices have been advanced between 10% and 15%. The radiator and boiler divisions are naturally expected to show larger sales in the latter half of the year. Moreover, the company has developed a line of air-conditioning apparatus, which is expected to add materially to the diversification and profits of its business. We consequently feel justified in taking an optimistic attitude toward the stock of American Radiator & Standard Sanitary Corp., whose strong finances and growing earnings could well support a liberal view toward dividend possibilities. Thus, a moderate purchase of the shares would have our endorsement.

McINTYRE PORCUPINE MINES, LTD.

Do you believe that inflationary prospects such as the "bonus" question, which will without a doubt be revived this January, suggest the retention of 400 shares of McIntyre Porcupine averaging 39¼? In line with the recent slight interest in this stock, possibly the wise thing to do would be to try and get out even.—A. F. G., Phoenix, Ariz.

Net profits of McIntyre Porcupine Mines, Ltd., for the three months ended June 30, 1935, amounted to $822,113, equivalent to $1.03 a share on the capital stock, compared with $951,734 or $1.19 a share for the corresponding period a year ago. Gross income for the later period was slightly lower, while costs, development expenses, taxes and depreciation were higher, accounting for the decline in net profits. The company's fiscal year, ended March 31, 1935, resulted in a net profit of $3,691,676, equal to $4.63 a share, against $3,674,938 or $4.60 a share for the preceding fiscal year. The 1935 fiscal year brought new high records in the gross value of bullion produced, since the beginning of the

(Please turn to page 559)

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New York Stock Exchange

Rails

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 9/4/35	Div'd $ Per Share
A								
Atchison	80⅛	34⅝	73¾	45¼	57⅛	35¾	50⅛	†2
Atlantic Coast Line	59	16½	54¼	24½	37¼	19½	25½	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	17¼	7½	16	..
Bangor & Aroostook	41¾	20	46⅛	35½	49½	36⅛	45	2.50
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	46¾	36½	43½	3
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	9⅜	10¼	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	47¼	37⅛	46½	2.80
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	¼	1⅜	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	1⅜	2⅞	..
Chicago, Rock Island & Pacific	10⅛	2	6¼	1⅜	2⅝	¾	1½	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	23½	36⅜	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	11	15¾	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	7⅛	11⅜	..
G								
Great Northern Pfd	33¾	4⅝	32½	12¼	22¾	9⅝	22	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	9½	14¾	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	19⅞	8¾	18¾	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	3¾	6½	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	5	8¾	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	34	41	†2.50
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	2½	4¼	..
N								
New York Central	58½	14	45¼	18⅜	25⅜	12¼	23¾	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	6	9¾	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	2⅞	7	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	2⅝	4¼	..
Norfolk & Western	177	111½	187	161	191	158	191	*8
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	13⅛	17½	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	29¼	17¼	27⅝	1
Pittsburgh & W. Va	35¾	6½	27	10	17¼	6⅞	14	..
R								
Reading	62½	23½	56⅜	35⅛	43⅛	29⅞	36	2
S								
St. Louis-San Fran	9	⅞	4⅝	1⅛	2	¾	1¼	..
Southern Pacific	38¾	11⅛	33¾	14⅞	21¼	12¾	19¼	..
Southern Railway	36	4⅛	36½	11½	16½	5½	9¼	..
T								
Texas & Pacific	43	15	43¼	13½	25¾	14	22	..
U								
Union Pacific	132	61¼	133⅞	90	111½	82½	98⅞	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	5½	8¾	..
Western Pacific	9½	1	8½	2⅝	3⅜	1⅛	2¼	..

Industrials and Miscellaneous

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 9/4/35	Div'd $ Per Share
A								
Adams-Millis Corp	21⅝	8	34⅞	16	33½	28	30⅞	2
Air Reduction, Inc.	112	47½	113	91¾	149¾	104⅜	141½	*3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	15⅛	16⅝	*60
Allied Chemical & Dye	152	70¾	160¾	115⅛	165	125	160	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	29⅜	12	27⅛	..
Amerada Corp	47⅝	18½	55⅝	39	71	48½	67¾	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	41½	53½	3
American Bank Note	28½	8	25¼	11½	30⅞	13½	27	..
Amer. Brake Shoe & Fdy	42½	9⅛	38	19½	38⅛	21	34½	1
American Can	100½	49½	114¾	90¼	146¼	110	137	*4
Amer. Car & Fdy	39¾	6⅛	33⅞	12	25⅜	10	22⅜	..
American Chicle	51¼	34	70⅝	46¼	96	66	90	*3
American & Foreign Power	19⅝	3⅞	13¾	3⅞	9¼	2	6⅞	..
Amer. International Corp	15⅛	4¼	11	4¾	9⅞	4½	8⅝	..
Amer. Power & Light	19⅞	4	12¼	3	9½	1½	7¾	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	18¾	10½	17⅞	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	25⅜	15¾	23¾	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	47¼	31⅝	45⅜	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	20¼	12	18½	..
Amer. Sugar Refining	74	21½	72	46	70½	51¼	54½	2
Amer. Tel. & Tel	134¾	86½	125¼	100⅛	142	98⅞	139	9
Amer. Tob. B	94¾	50¾	89	67	101½	74¾	99¾	5
Amer. Water Works & Elec	43¼	10⅞	27⅝	12⅝	19¼	7⅛	15½	..
Amer. Woolen Pfd	67½	22⅝	83¾	36	51½	35½	46¼	..
Anaconda Copper Mining	22⅞	5	17¾	10	20⅝	8	19	..
Amour Co. of Ill	....	....	6¾	3½	6⅛	3¼	4⅛	..
Atlantic Refining	32½	12⅜	35¼	21½	28	21⅜	22⅜	1
Auburn Auto	84¼	31	57⅜	16½	36⅝	15	34¾	..
Aviation Corp. Del	16⅜	5½	10¾	3¾	4¼	2¾	3¾	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	1½	2⅜	..
Bayuk Cigar	52½	3¼	45¾	23	51⅛	37½	45½	*1
Beatrice Creamery	27	7	19¾	10¼	19	14⅛	15⅝	†.50
Beech-Nut Packing	70½	45	76⅝	58	92	72	89	*3
Bendix Aviation	21¼	6⅛	23⅞	9¾	19⅞	11⅞	19½	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 9/4/25	Div'd $ Per Share
B								
Best & Co	33⅛	9	40	26	50	34	49½	2
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	39½	21⅝	37⅝	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	39⅝	47	3
Borden Company	37⅜	18	28¼	19⅞	26⅝	21	24¼	1.60
Borg Warner	22¼	5½	31⅜	16⅛	49⅞	28¼	48	2
Briggs Mfg	14⅝	2⅝	28⅜	12	45⅜	24½	42⅝	2
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	18⅜	13¼	17⅜	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	11⅜	17¼	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	30½	33⅛	1.50
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	8¼	9⅝	.40
Case, J. L.	103½	30½	86¾	35	73¾	45¾	73⅜	..
Caterpillar Tractor	29¾	5½	38¾	23	55½	36½	53⅛	*1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	19½	26⅞	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	63¾	38⅝	57½	4
Chesapeake Corp	52½	14⅞	48⅞	34	47¾	36	46¾	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	63⅝	31	63½	*1
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	19⅛	15⅛	18	.50
Columbian Carbon	71¼	23⅛	77¼	58	94	67	87	4
Colum. Gas & Elec	28⅛	9	19¼	6⅝	14	3⅜	12	..
Commercial Credit	19¼	4	40¼	18⅝	53⅜	39½	50⅜	2.50
Comm. Inv. Trust	43½	18	61	35¾	72	56¼	69½	*2.80
Commercial Solvents	57¼	9	36¾	15¾	23⅞	17⅝	18⅞	*.60
Congoleum-Nairn	27⅝	7⅜	35⅜	22	37⅞	27	34½	1.60
Consolidated Gas of N Y	64⅛	34	47⅜	18½	34¼	15⅞	28	1
Consol. Oil	15¾	5	14¼	7¼	10½	6½	8⅞	†.25
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	8¾	10¾	..
Continental Can, Inc	78⅜	35¼	64½	56¾	91⅛	62¾	85	2.40
Continental Insurance	36½	10½	36¼	23⅜	42⅜	28⅞	39½	*1.20
Continental Oil	19⅝	4⅞	22¾	15¾	23	15⅛	20⅝	*.37½
Corn Products Refining	90⅝	45⅜	84½	55½	78⅜	62	66¾	3
Crown Cork & Seal	65	14¼	36¼	18¾	36	23½	33¼	1
Cudahy Packing	59½	20¾	52⅝	37	47½	39⅞	40	2.50
Cutler-Hammer, Inc	21	4¼	21½	11	28¾	16	27	..
D								
Deere & Co	49	5¾	34⅛	10⅛	40	22¾	38⅜	..
Diamond Match	29½	17½	28½	21	40¾	26½	38	*1.50
Dome Mines	39½	12	46¼	32	43½	34⅛	38¾	*2
Douglas Aircraft	18¼	10¼	28½	14¼	32⅝	17½	31¾	†.75
Du Pont de Nemours	96⅜	32⅛	103⅞	80	122½	86⅝	118½	*3.60
E								
Eastman Kodak Co	89¾	46	116½	79	152	110½	149½	*5
Electric Auto Lite	27½	10	31⅜	15	29	19⅜	27½	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	7½	1⅛	5½	..
Electric Storage Battery	54	21	52	34	49½	39	46	2.25
F								
Fairbanks, Morse & Co	11¼	2½	18¾	7	26½	17	25	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	13⅛	14¾	.40
First National Stores	70¾	43	69¼	53	58⅞	45¾	51½	2.50
Foster Wheeler Corp	23	4½	22	8½	17½	9⅞	16⅜	..
Fox Film. Cl. A	19	12	17½	8¼	17¾	8⅝	17	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	28½	17¼	26⅛	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	44	32⅝	39	1.75
General Baking	20⅞	10½	14⅜	6½	12½	7⅜	11½	.60
General Electric	30¼	10½	25¼	16⅞	33	20½	31⅛	.60
General Foods	39⅞	21	36⅞	28	37½	32¼	34½	1.80
General Mills	71	35½	64½	51	70½	59⅞	67½	3
General Motors Corp	35¾	10	42	24⅝	45½	26⅝	43⅜	*2
General Railway Signal	49½	13¼	45¾	23½	34¾	15⅝	32	1
General Refractories	19¾	2½	23⅜	10⅛	24⅞	16¾	24½	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	19½	12	17⅞	1
Glidden Co	20	3¾	28⅜	15⅝	33¼	23⅜	33¼	*1
Gold Dust Corp	27⅜	12	23	16	18	14⅜	15¾	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	7½	8¾	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	15¾	19⅜	..
Great Western Sugar	41⅞	7	35¼	25	32⅜	26⅝	29⅜	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	86	71	82	*3
Hershey Chocolate	72	35⅛	73¾	48½	81¾	73¼	78	3
Homestake Mining	373	145	430⅛	310	412	338	398	*12
Hudson Motor Car	16⅜	3	24½	6⅛	12¾	6¼	11⅜	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	¾	2	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	23½	30	2
Ingersoll-Rand	78	19⅛	73¾	49½	97¼	60½	96¼	2
International Business Machines	153¼	75¾	164	131	184⅞	149¼	183	*6
Inter. Cement	40	6⅛	37¾	18⅜	33	22⅞	28⅞	1
Inter. Harvester	46	13⅝	46⅞	23¼	56¼	34⅛	54⅝	.60
Inter. Nickel	23¼	6¾	29¼	21	29½	22¼	29⅛	.80
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	12⅝	5⅝	10½	..
J								
Jewel Tea Co., Inc	45	23	57½	33	67	49	58½	3
Johns-Manville	63½	12¼	66⅜	39	68	38½	67⅜	†.50
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	10¼	12½	*.50
Kennecott Copper	26	7⅜	23⅛	16	24	13¾	23¼	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	32⅛	22¼	30¼	1.60
L								
Lambert Co	41⅛	19⅜	31¾	22¼	28½	22⅛	24⅛	3
Lehman Corp	79⅜	37½	78	68¼	95	67⅛	92	*2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	38¼	21½	35	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	122	93¾	114½	*4
Loew's, Inc	36½	8½	37	20⅜	44⅛	31¼	42⅛	2
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	41⅝	33	37¼	2
Lorillard	25¼	10⅜	22½	15¾	25¼	18½	24¾	*1.20
M								
Mack Truck, Inc	46⅜	13½	41¾	22	28⅛	18⅝	22¼	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	50	30½	48½	2

Dividends and Interest

UNION CARBIDE AND CARBON CORPORATION

▼

A cash dividend of Forty cents (40c) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1935, to stockholders of record at the close of business September 6, 1935.

ROBERT W. WHITE, Treasurer

Endicott Johnson Corporation

Dividend No. 66

The Board of Directors has declared a quarterly Preferred Dividend of One Dollar Seventy Five Cents ($1.75) per share, and a Common Dividend of Seventy Five Cents ($.75) per share, payable October 1, 1935 to stockholders of record at the close of business September 18, 1935.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

September 5, 1935.

THE BELL TELEPHONE COMPANY OF CANADA

NOTICE OF DIVIDEND

A dividend of one and one-half per cent (1.50%) has been declared payable on the 15th day of October, 1935, to shareholders of record at the close of business on the 23rd of September, 1935.

F. G. WEBBER,
Secretary.

Montreal, August 28th, 1935.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

September 6th, 1935.

THE Board of Directors on September 4th, 1935 has declared a quarterly dividend of 50c per share on the Common Stock of this Company, payable September 30th, 1935 to stockholders of record at the close of business on September 17th, 1935. Checks will be mailed

DAVID BERNSTEIN
Vice-President & Treasurer

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway, New York

August 27, 1935.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 59 of one and three-quarters per cent. (1¾%) on the Preferred Stock of the Company, payable October 1, 1935, to preferred stockholders of record at the close of business September 11, 1935.

W. C. KING, *Secretary.*

To the President of a Dividend-Paying Corporation:—

Why should you publish your dividend notices in The Magazine of Wall Street?

You will reach the greatest number of potential stockholders of record at the time when they are perusing our magazine, seeking sound securities to add to their holdings.

By keeping them informed of your dividend action you create a maximum amount of good will for your company, which will result in wide diversification of your securities among these influential investors.

Place The Magazine of Wall Street on the list of publications carrying your next dividend notice!

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
M	High	Low	High	Low	High	Low	9/4/35	Share
Mathieson Alkali	46⅝	14	40¾	23½	32	23¾	29⅝	1.50
May Dept. Stores	33	9¾	45¾	30	52½	35⅞	52⅜	1.60
McIntyre, Porcupine	48⅜	18	50½	30½	45⅝	34⅞	37⅝	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	123	90½	118	4
Mesta Machine Co	21	7	24¾	20⅛	35⅜	24⅛	35⅛	2
Monsanto Chemical	83	25	96½	39	77½	55	71	*1
Montgomery Ward & Co	28⅞	8⅝	35⅝	20	36⅜	21¾	34¼	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	11	15	1
National Biscuit	60⅝	31½	49½	25⅞	33½	22¼	28¾	1.60
National Cash Register	23⅝	5⅛	23⅝	12	18½	13½	16¼	.50
National Dairy Products	25¾	10½	19¾	13	17½	12⅞	15⅜	1.20
National Distillers	35¼	20⅞	31⅝	16	29¾	23⅛	29⅛	2
National Lead Co	140	43¼	170	135	185	145	177	5
National Power & Light	20½	6⅞	15½	6⅝	14⅜	4⅞	11⅛	.80
National Steel	55⅛	15	58¼	34½	68¾	40⅜	66	*1
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	18½	26¾	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	43	30¾	38¾	2
North American Co	36½	12½	25¼	10¼	24¼	9	20	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	22	11⅛	19⅛	.60
Owens Ill. Glass	96¾	31½	94	60	104	80	98½	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	28¾	13⅛	25⅝	1.50
Pacific Lighting	43⅜	22	37	20¾	44½	19	40½	2.40
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	3½	4¾	..
Paramount Pic. New	....	....	....	....	10¾	8	10⅜	..
Penney (J. C.)	56	19¼	74¼	51½	81¾	57¼	80½	2
Penick & Ford	60¾	25½	67	44⅝	81	64½	72	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	22¼	12¼	21	†.25
Phillips Petroleum	18¾	4¾	20¾	13⅜	29⅜	13¾	27⅛	1
Pillsbury Flour Mills	22½	9½	34¾	18½	35¾	31	34	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	53¾	42⅜	52¼	1.50
Public Service of N. J.	57⅛	32⅝	45	25	45	20⅜	41½	2.40
Pullman, Inc	58⅛	18	59⅜	35¼	52⅞	34	41	3
R								
Radio Corp. of America	12¼	3	9⅛	4½	7¾	4	7⅛	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	3⅛	1¼	3⅛	..
Raybestos-Manhattan	20⅝	5	23	14½	21	16½	20¼	1
Remington Rand	11¼	2½	13⅜	6	11¾	7	11¾	..
Republic Steel	23	4	25¾	10½	19⅝	9	18¾	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	55	43⅛	55	3
S								
Safeway Stores	62¾	28	57	38¼	46	36¾	38¼	3
Schenley Distillers	47	22	38⅞	17⅛	35	22	34⅜	..
Sears, Roebuck & Co	47	12½	51¼	31	59⅞	31	56½	†.75
Servel, Inc	7½	1½	9	4⅜	11½	7⅝	11	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9¼	7¼	8⅜	.25
Shell Union Oil	11⅝	4	11½	6	11½	5½	9⅝	..
Socony-Vacuum Corp	17	6	19⅞	12½	15⅜	10⅝	11⅜	.30
So. Cal. Edison	28	14⅛	22⅛	10⅛	22⅛	10⅝	22⅛	1.50
Spiegel May Stern Co	21½	1	76¾	64	79½	43⅞	65⅞	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	13⅜	13½	.80
Standard Oil of Calif	45	19½	42⅞	26½	38⅞	27¾	33½	1
Standard Oil of Ind	....	....	32¾	23¼	28	23	26	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	50½	35¾	45⅜	*1
Sterling Products	63	45¾	66½	47¼	67⅞	58¾	64⅛	3.80
Stewart-Warner	11½	2½	10⅝	4½	13¼	6⅝	12	..
Stone & Webster	19¼	5½	13¼	3⅞	10⅜	2½	8⅛	..
Sun Oil Co	59	35	74¼	51½	75½	60½	67	*1
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	23¾	16½	20⅞	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	28¾	34⅜	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	12	7⅝	9⅜	..
Timken Roller Bearing	35½	13¾	41	24	51⅞	28⅜	49	*1
Tri-Continental Corp	8¾	2¾	6¾	3	6¼	1⅞	5½	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	69½	53¾	66	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	65⅞	44	64⅞	1.60
Union Oil of Cal	23⅜	8½	20½	11½	20⅛	14¾	17¾	1
United Aircraft	....	....	15¼	8⅛	19⅝	9⅞	18½	1
United Carbon	38	10¼	50⅜	35	63½	46	62	2.40
United Corp	14½	4	8⅞	2⅛	6⅝	1½	4⅞	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	44½	20¾	40	3
United Fruit	68	23¼	77	59	92¾	65	73	3
United Gas Imp	25	13⅞	20⅛	11½	18¼	9¼	15⅜	1
U. S. Gypsum Co	53½	18	51¼	34¼	66½	40½	66½	*1
U. S. Industrial Alcohol	94	13½	64¾	32	46⅞	35⅛	43¾	2
U. S. Pipe & Fdy	22⅛	6⅛	33	15½	22	14¾	19¾	.50
U. S. Rubber	25	2⅞	24	11	17¼	9⅛	13⅝	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124½	95	99	†6
U. S. Steel Corp	67½	23⅜	59⅞	29⅜	46¼	27½	44	..
U. S. Steel Pfd	105½	53	99½	67¼	113½	73⅝	110	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	11¼	17⅞	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	6⅜	2¼	6¼	..
Western Union Tel	77¼	17¼	66⅞	29½	51⅜	20⅝	46⅛	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	28⅛	18	25⅜	.50
Westinghouse Elec. & Mfg.	58¾	19⅜	47¼	27⅞	67⅝	32⅝	66⅞	†.50
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	65¼	51	61¼	2.40
Worthington Pump & Mach	39⅞	8	31⅞	13½	21½	11¾	17½	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	82¾	73¾	76	*3

* Including extras. † Paid this year.

Answers to Inquiries

(Continued from page 554)

company's milling operations in 1912. The high prices prevailing for gold have made it possible to treat a lower grade of ore than usual, enabling the company to include in the estimated reserves and in the year's production, ore which could not have been profitably worked at the former statutory price of gold. Although inflationary prospects are still visible in the economic background of both Canada and the United States, their speculative influences upon the market have not been so pronounced in recent months. The threat of monetary inflation is now confined mostly to bonus legislation at the next session of Congress.

Increased taxation levied by the Canadian Government upon the production of gold bullion, included in the Mint deductions from bullion recovery, has served to limit the company's profits, which reached the peak in the 1935 fiscal year. The company's sound financial condition and capable management, as well as the longer term inflationary possibilities, dictate the advisability of maintaining an interest in the stock of McIntyre Porcupine but we feel that it may be advisable for you to lighten your holdings by disposing of 200 shares at an early date, retaining the balance for the longer term possibilities.

KENNECOTT COPPER CORP.

Do you think the move in Kennecott Copper is over? Do you still think higher prices possible? I have 130 shares of this stock bought at 17, and will appreciate some word from you.—O. R., Newark, N. J.

Considering the better outlook for copper, we are not inclined to feel that the move in Kennecott is over. In our opinion, the buying wave in copper this month has assumed such large proportions as to take on special significance. Sales for the month of August were approximately four times the 30,000-ton monthly quota established by the copper code, and represent not only the heaviest rate of sales since the war, but perhaps for all times. The demand for the red metal has been maintained at home and abroad not only by improving economic conditions, but also by military needs which started immediately after the initial period of hesitation following the abandonment of the codes. While interim earnings figures are not reported, last year, the company's earnings were equivalent to 53 cents a share on the common stock which was over twice the 21 cents reported in the previous year. However, for the first quarter of 1935, the chairman of the board indicated that earnings were then at the annual rate of $1 a share—domestic sales amounting to approximately 30% of the total volume and foreign sales accounting for the remaining 70%. The company's strong financial position at the year-end is shown by the $58,000,000 total current assets, and only $5,982,348 in current liabilities. Although the company has a large number of capital shares outstanding, it has no funded debt and future increased earnings should be directly reflected on the stock. This company, which is the second largest American copper producer and fabricator, is strongly entrenched in the foreign copper field through its low cost South American production and this factor, together with those already pointed out, lead us to believe that on the basis of longer term potentialities, maintenance of your position from these levels will prove worthwhile.

GENERAL CIGAR CO.

I have 100 shares of General Cigar common bought at 52. I understand now that earnings this year will probably be in the neighborhood of $3.75 a share. In view of these earnings do you consider present prices justified, even though the company could maintain the $4 dividend?—B. S. N., New York, N. Y.

While we do feel that present prices for this stock may seem somewhat high, nevertheless, we are of the opinion that the long-term possibilities are worthwhile. You appreciate, of course, that as consumer purchasing power increases, earnings of this company can show rapid improvement inasmuch as the company has no funded debt ahead of its 50,000 shares of 7% preferred stock and 472,982 shares of common stock. For the first six months of the current year, this company, together with its wholly owned subsidiary, the General Cigar Co. of Cuba, Ltd., reported a net income of $650,940 after depreciation, amortization, Federal taxes, etc., equivalent after dividend requirements on the 7% preferred stock, to $1.01 a share on the common. This compares with $1,072,314 or $1.90 for the comparable period of last year. As of the end of June, total current assets including $4,796,844 in cash and marketable securities, amounted to $20,962,567 and current liabilities were only $1,586,503. This compares with cash and marketable securities of $7,317,329, current assets of $23,187,993, and current liabilities of $1,079,755 on June 30, 1934. Despite these figures, however, a penetrating investigation of the company's affairs points out the striking fact that in the face of extreme

competition in the low-priced cigar field, the able management of this company has been able to maintain a high dividend rate and certainly is an indication of what may be expected in the way of earnings upon further broadening of public purchasing power already mentioned. At the present time, we feel that the annual rate on the common stock is reasonably secure, and additional extras are decidedly possible over the longer pull. With lower operating costs, now that the codes are out of the way, earnings for the balance of the year should prove more favorable.

UNITED AIRCRAFT CORP.

Do you consider United Aircraft Corp. shares still a good "buy"? Its shares have been strongly recommended to me, but in view of their selling up at the high for the year, I would first like to have some facts. --L. F. H., Boston, Mass.

Formed on July 21, 1934, as a result of the dissolution of United Aircraft & Transport Corp., United Aircraft Corp. now occupies a leading position in the domestic aircraft manufacturing industry. Its products include Hamilton-Standard controllable pitch propellers, widely employed both here and abroad; Sikorsky flying boats, Pratt & Whitney's widely-known "Wasp" and "Hornet" motors; and military planes manufactured by Chance-Vought. Thus, the company is particularly well situated to benefit from increased plane and engine orders for the Army and Navy, while the new clippers currently being manufactured by Sikorsky have a promising future in inter-country commercial aviation. The report of the company for the quarter ended June 30, 1935, revealed a profit of $177,913, equivalent to 8 cents a share on the capital stock, against $75,516, or 4 cents a share in the preceding quarter, bringing the total for the six months to $253,429, or 12 cents a share. Admittedly, the shares currently appear rather liberally priced in relation to earnings for the first half of the year, but they are not believed by any means to discount fully longer term potentialities. The company recently has received sizable orders and since deliveries will be heavier during the third and fourth quarters of the year, earnings for the final half are expected to run considerably ahead of those for the initial six months. The company's manufacturing divisions currently are working near capacity, which is the first time that this situation has existed since the start of the depression, and there is every evidence that this situation will continue uninterrupted for some time ahead, at least. Despite the obviously speculative caliber of the stock, therefore, we feel that you might well take advantage of any favorable market opportunity to include the shares in your portfolio on the basis of their promising longer term possibilities.

LOEW'S, INC.

As compared with other motion picture companies it seems to me that Loew's, Inc., should sell higher on the basis of its earnings and the possibilities of a substantially higher dividend. Would you care to comment on this and oblige?—U. M. T., Springfield, Ill.

Report of Loew's, Inc., for the 40 weeks ended June 6, 1935, revealed earnings of $3.52 a share on the common stock, against $3.46 a share for the like interval a year earlier. Largely as a result of fewer releases by the producing division, together with price cutting in the theater branch, earnings during the third quarter amounted to only 88 cents a share on the common stock, against $1.07 a share a year earlier. However, indications are that the report for the fiscal year ended August 31, 1935, will compare favorably with that of the previous fiscal year, when the equivalent of $4.50 a share was shown on the common. Although the company has not reported its financial condition since August 31, 1934, when the ratio of current assets to current liabilities was roughly 6 to 1. no material change in this is believed probable. Thus, we are inclined to agree with you that Loew's common does seem reasonably priced in relation to current earnings and dividends. While the stock recently has been unimpressive, marketwise, seasonally earnings should improve over coming months and it is quite possible that this will find reflection in renewed speculative interest in the stock. The fact that Loew's was the only one of the leading motion picture organizations able to maintain earnings consistently on a profitable basis throughout the depression years attests to the company's managerial ability and the soundness of its growth. In the years immediately preceding the depression, many of its competitors engaged in an orgy of building and purchasing theater buildings, whereas Loew's policy was one of gradual expansion which was accomplished without recourse to heavy bank borrowings and bond flotations. Moreover, the company's producing activities have been unusually successful, its profitable releases being far more numerous than those of its competitors. With the industry as a whole beileved headed for a more profitable era, therefore, earnings of Loew's over the longer term are expected to support higher share prices and on that basis we currently recommend maintenance of your long position in the stock.

AMERICAN BRAKE SHOE & FOUNDRY CO.

Do you consider American Brake Shoe & Foundry over-priced at current quotations even assuming its ability to increase the quarterly rate from 20 to 25 cents a share? Would you advise a subscriber to hold or sell shares bought at 27?—C. F. H., Jacksonville, Fla.

American Brake Shoe & Foundry Co. received benefits from increased automobile production in the first six months of 1935, through its subsidiary, American Brakeblok Corp., whose sales were 40% higher than in the first half of 1934. The company's railroad brake shoe business closely follows railroad traffic volume, which has been somewhat disappointing, while its output of miscellaneous castings has recently been about the same as last year. Consolidated income account of American Brake Shoe & Foundry for the six months ended June 30, 1935, subject to audit and adjustments at the year-end, showed net income of $773,688 equal, after preferred dividend requirements, to 72 cents a share of common, a substantial gain over $658,231 or 53 cents a share for the first half of last year. These figures do not take into account the gain or loss on account of change for the period in the reserve for revaluation of marketable securities and profit or loss on the sale of securities, which are transferred to reserve for contingencies. The company's usually strong financial condition was still further improved as of June 30, 1935, when current assets amounted to $10,320,601, including $5,291,463 cash and marketable securities, against current liabilities of only $1,056,318. Further business recovery should be beneficial to American Brake Shoe & Foundry because of increased expenditures by the railroads for maintenance as well as the purchase of new equipment, while the outlook for high automobile production continues favorable, auguring well for the company's automotive materials subsidiary. The increased dividend requirement, recently raised from 20 cents to 25 cents a share quarterly, has been covered by a satisfactory margin. In view of these factors and the generally constructive outlook, we see no necessity for disturbing your holdings of American Brake Shoe & Foundry common stock at this time.

SOCONY-VACUUM OIL CO.

I am considerably disturbed by the recent dividend action of Socony-Vacuum and while I still believe the company to be fundamentally sound I would be interested in knowing what the stock now offers in the way of near-term possibilities.—I. K. J., St. Paul, Minn.

Since Socony-Vacuum Oil Co. does

not publish interim reports it is impossible to accurately estimate earnings at the present time. However, it was officially stated earlier in the year that while the initial quarter was unprofitable, a pronounced improvement was recorded in April. In view of the favorable trend registered in gasoline consumption during more recent months, together with the better relationship between crude and refined prices, indications are that the 76 cents a share recorded last year will be equalled or possibly bettered for the full year 1935. On February 15, last, the company called for redemption $28,197,000 of outstanding funded debt, the funds necessary for this operation having been provided for by bank loans aggregating $27,000,000. The company has since repaid $5,400,000 of these loans, the balance maturing in equal semi-annual instalments through February, 1940. Although the stock has not been on a regular dividend basis, the recently declared 15 cents a share brings total payments for this year to 30 cents, against 60 cents last year. It was probably due to the desire of directors to maintain the current asset position of the company that distributions on the stock this year fell below those of last. In addition to the bonds retired earlier in the year, the company plans to issue $50,000,000 3½% debentures to refund the outstanding 4½s of 1951. Quite obviously, these bond redemptions enable the company to effect sizable savings which should ultimately find reflection in higher earnings on the common stock. Although the shares must be regarded as speculative in view of the difficulties still faced by those organizations engaged principally in the refining and marketing of gasoline, the company's earning power in the past, together with the reasonably promising outlook, lead us to believe that the shares offer sufficient attraction to warrant their further retention in your portfolio at the present time.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.

I am indeed pleased with my investment in Westinghouse Electric & Manufacturing. If this company could show comparable progress in the year ahead I would be interested in adding to my present 50 shares, and therefore ask your advice on the advisability of this.—D. W. C., Butte, Mont.

At the present time we see no reason why you should not add to your present holdings of Westinghouse Electric & Mfg. Co.—not only for income, but for appreciation as well. For the first six months of the current year, this company reported earnings equivalent to $2.35 per share on the common stock, whereas for the first six months of last year the operating deficit amounted to 7 cents a share. In this connection, it is interesting to note that the largest increase in the dollar volume of business for this company for the first half of the current year as compared with the same period of last year came in merchandising bookings. This division of the company's business showed an increase of over $16,500,000, and its central station equipment rose from $8,456,000 to $11,249,000. In addition, the industrial division of the company gained slightly in excess of $2,100,000 over the same period last year, and the only loss reported was in the transportation end, but this decline was but slightly in excess of $600,000. While it is true that a very sizable portion of these increased orders, especially of the central station equipment division, came from Government money, we see no reason to believe that even though this source of business should decline, the other divisions of the company could not make up the difference with a further increase of industrial expansion. While the tax increases have constituted a major worry for this organization, nevertheless, on the 30th of June, cash had risen to $27,000,000 as against $18,091,413 on the 31st of December, 1934, and current assets had increased to $93,339,000 from $80,328,712 at the year end. Current liabilities on June 30, last, were $7,879,000, and with the strong financial position reflected by these statistics, we do not regard the issue as excessively valued in relation to the company's longer term prospects.

Can We Expect Higher Prices for Bank Stocks?

(*Continued from page* 548)

than it is likely to be for the next several years. Today corporations in the aggregate are operating much more than in former years on their own cash. The very substantial business recovery that has occurred since March, 1933, has been financed with no material expansion in commercial loans, and the great bulk of capital expenditures now being made are without resort to new financing. The banks today have, and for a long time will continue to have, an abnormally large proportion of their assets invested in Government obligations at relatively low yield. Finally, they are barred from the formerly profitable field of security underwriting, even the permission to handle a limited amount of such business having been eliminated from the final draft of the banking law recently passed.

This is by no means to imply that the long-term outlook is wholly unfavorable. Bank stocks are at a depression level, generally speaking—a level which, certainly in periods of price reaction, may more than discount all unfavorable factors. It is one thing to hold a $35 bank stock and gloomily opine that the chances of its ever getting back to the $400 paid for it in 1929 are remote; another thing entirely to invest in such a stock with the expectation that it could double or triple or even quadruple in time.

On the favorable side, it is inevitable that extended business recovery will produce some advance in interest rates from present record low levels, as well as some expansion in the demand for business credit. Either such development will appreciably increase present depressed bank earnings, even though leaving them considerably short of what used to be regarded as "normal" earning power.

Again, as with any business enterprise, adversity will sharpen the search of the banks for new profit-making opportunities. Some banks, for example, are casting their eyes on the personal loan business and installment financing, especially on automobiles. Relatively speaking, however, these are crumbs from the point of view of the large New York banks whose stocks command investment prominence.

Probably a more fruitful source of increased earnings—though few big banks will avail themselves of it in any major degree—will be increased real estate loans and/or investments in F H A insured mortgages. The R F C Mortgage Corp. has announced its intention of buying and selling such mortgages, given them a liquidity that may prove attractive to some banks. For that matter, under the new law, almost any banking asset—and certainly a note backed by a mortgage—can be pledged with the Federal Reserve for cash at a penalty rate of only ½ of 1% above the prevailing rediscount rate.

The latter relaxation forces one to wonder whether our "socialization" of credit will induce a final grand "bust" or absolutely prevent it. There are plausible arguments either way. On the one hand the loaning of commercial bank funds on long-term mortgages is unsound by the testimony of all experience. On the other hand, if from now on such slow assets can be instantly turned into cash through rediscount, that fact would greatly relieve, if not prevent, the automatic pressure of forced selling.

On the whole, we conclude that we would buy bank stocks only on reaction, and we would not like to be holding them on the top of the next boom.

How New Deal Legislation Will Affect Business

(*Continued from page* 532)

on the other hand, T V A's retailing of power probably is unconstitutional.

Wheeler-Rayburn Public Utilities Act. T V A is one way of waging war on privately-owned power facilities; the Public Utilities Act is another way. Among the principal demands of the latter is the eventual elimination of the holding company if not essential to the operation of a single integrated system. The Securities and Exchange Commission is the body to say which companies are essential and which are not. Under the Public Utilities Act, the Federal Government has control over holding companies similar to the control exercised by state public service commissions; it will supervise the issuance of securities, acquisition of properties and other activities.

In prohibiting holding companies beyond the second degree and the elimination within three years of those that exist which are not essential to the operation of an integrated system, the Act is a major deflationary threat to the security markets. It would be the cause of countless millions of dollars worth of public utility stocks and bonds being plumped on the market. Fortunately, there is an excellent prospect that it will be found unconstitutional and it is for this reason that public utility security holders are not raging more rabidly.

Labor Relations Act. This Act restates the controversial clause 7A of the now defunct N I R A—the clause which provided that employees should have the right to self-organization and to bargain collectively with their employers. The new act provides that the representatives of the majority of the employees shall do the bargaining exclusively; minorities can only present "grievances." In other words, if the A. F. of L. or other labor organization can gain a membership of 51 per cent in any plant, they are empowered to act for the other 49 per cent who probably want nothing whatsoever to do with them. The Wagner-Connery Labor Relations Act was passed as a sop to A. F. of L. and will probably be found completely unconstitutional.

Works-Relief Act. Under this Act there was appropriated $880,000,000 balances existing with the R F C and P W A, in addition to $4,000,000,000 in new money for the purpose of providing both direct relief and work relief. While there was some general classification of the manner in which the money was to be employed, it is completely under the control of the President and is often called a "five-billion-dollar campaign fund."

Although the spending of money under the Works-Relief Act has been much slower in getting under way than its sponsors expected, a start has at last been made. Its direct effect upon business must necessarily be favorable—at least while the money actually is being spent, and for a short time afterwards while the secondary effects are being felt. This is one of the important reasons why it is thought so generally that business is on the up grade. In the past when the Government has been spending relief money, uncovered by taxation, there has always been a temporarily favorable reaction, especially upon retail trade and, thus, there is precedent for expecting the Works-Relief Act to do the same. Later, when the effect has worn off and business is called upon to supply in the form of taxes, the interest and amortization expense of this borrowed money, Works-Relief may ultimately prove to have been more important as a retarder of fundamental recovery than an accelerator.

This last remark applies to a large proportion of the New Deal legislation which has been designed to aid business; as for another large proportion—the "reform" part of the program—this is recognized as a retarder now and will remain a retarder until such time as it is repealed or modified. There is other New Deal legislation, concerning whose ultimate effects it would be dangerous even to hazard a guess at the present time. On the whole, however, business dislikes the New Deal, fears it; and with all the justification in the world.

Real Estate Turns Up As Mortgage Money Eases

(*Continued from page* 529)

cent only in 2 per cent of the cities covered. The most general rate is 6 per cent, but it is still 7 per cent in 9 per cent of the cities covered and 8 per cent in 7 per cent of the 251 cities, rates, of course, exclusive of commissions and charges.

A supplementary survey confirms previous findings of a Federal urban mortgage survey which shows the interesting fact that individual investors are not only the most general source of mortgage funds but the largest single source. In sixty-one cities such investors were found to hold 24.1 per cent of outstanding mortgages; commercial banks 16 per cent and insurance companies 15.3 per cent.

Trust companies are making new mortgage loans in only 19 per cent of the cities surveyed. The new Federal Savings and Loan Associations are a source of mortgage money in 53 per cent of all cities reporting and in 88 per cent of the largest cities. Building and loan associations are making loans in 67 per cent of the cities, mortgage companies in 20 per cent and savings banks in 22 per cent.

All of the comparisons show a definitely favorable trend from six months ago, however, and a still more marked improvement from a year ago. A similar trend of improvement is shown in real estate prices, in rentals and in market activity.

To sum up, while 81 per cent of reporting cities say mortgage money now exists, those which give a detailed analysis of the local situation indicate in fully 80 per cent of all reports that "the problem is not yet solved." Some 20 per cent indicate that solution, locally, is at least well begun. The most common report is of available funds at 50 to 60 per cent of present values, at interest rates but a trifle lower. One must conclude, as does the above survey, that "mortgage money is the key to new home building, but the key in most communities is still unturned." Nevertheless, things at least are at long last stirring in the mortgage market—and in the right direction.

Stock Market Watches Business

(*Continued from page* 525)

months of the year will show any gain over the current level. Nevertheless, it may reasonably be estimated that the aggregate volume of wholesale and retail trade for the autumn season will average fully 9 to 10 per cent above that of a year ago, dollar prices in most lines being the same or slightly lower than a year ago.

A minor, but nonetheless interesting, indication of an expanding public spending ability or willingness to spend is present increasing attendance in the motion picture theaters. In some sections box office gains over the Labor Day period ranged up to 25 per cent, compared with a year ago. Reflecting both this trend and the drastic housecleaning effected by reorganizations and new managements in several of the weaker film companies, motion picture stocks and bonds have made and

continue to make a strong market comeback.

The bond market, after moderate weakness in August, has displayed firmer tendencies during the past fortnight, including Governments. The period also has been one of moderate advance in commodity futures and a brisk move up to a new high of recovery in spot commodities.

In the foreign scene war uncertainties are not apparently receiving any serious consideration in our domestic markets; and the position of the dollar in the foreign exchange market continues to be what its managers want it to be, thanks to a silver buying policy which, however silly, holds the dollar down and will hold it down as long as we take silver in lieu of goods or gold. Since the adoption of the present policy the Treasury has bought more than 500,000,000 ounces of silver, but to carry out the provisions of the Silver Purchase Act it still has at least 1,300,000,000 more ounces to acquire.

Meanwhile the problem of getting our silver holdings up to the required proportion, or one-third as much as our gold holdings, is complicated by the strong tendency of gold to flow here. Thus far, it has tended to come in faster than silver. At this moment, indeed, weakness in the gold bloc currencies appears to portend a renewed influx of gold, further increasing our monetary reserve and the already huge base for credit inflation.

How Truck Regulation Will Affect the Railroads

(*Continued from page* 543)

advantage of the five hundred million dollar annual subsidy now granted motor carriers by local, state and Federal governments.

Apart from co-ordination with motor carriers, the railroads have been making really intelligent efforts to improve their service through container car services, speedier operations, streamlined and air-cooled trains, and other modernizations in equipment and service. If the operating economies and improvements recently urged upon the railroads by Co-ordinator Eastman are valid the rail carriers have still other methods whereby they may carry the fight to the motor carriers. New blood, new methods, and more aggressive salesmanship will probably help the railroads almost as much as the regulation of competing forms of transportation.

It is obvious that when a regulatory body such as the Interstate Commerce Commission is injected into a situation as chaotic and destructive as the present one, it cannot but be a boon to the responsible and constructive elements of the motor carrier industry. The strength of the motor carrier was well illustrated by Co-ordinator Eastman's recent report when it mentioned that *thousands of shippers queried stated* 6 *per cent of their tonnage moved by truck in* 1933. Today the figure must be higher. Moreover, the trucks specialize in hauling the best paying freight. In stating why they used trucks these same thousands of shippers revealed the advantages trucks offer the public. Their reasons were divided as follows:

Greater Speed	12%
Complete Service	10%
Minimum Weight Requirements	13%
More Liberal Mixtures of Freight	13%
Liberal Packing Requirements	13%
Regular Schedules	10%
Convenient Schedules	12%
Lower Charges	14%

Little imagination is required to appreciate that the new regulations will result in mergers in the motor carrier industry. This would be a natural result of the co-ordination of trucks and buses encouraged by the law and a device for achieving operating economies and efficiencies. John Hertz, of Lehman Brothers and the Fifth Avenue Coach Co., has taken the lead in this respect, interesting himself in the formation of a trans-continental co-ordinated rail and truck service. It is apparently a harbinger. With motor carriers under the supervision and guidance of the Interstate Commerce Commission investors may at least be assured that their money will not be dissipated in useless rate wars, unsound practices, or wildcat operations. Although the Commission cannot guarantee that motor carriers will show profits, it will no doubt manage to keep the foolish, capricious, reckless and irresponsible ones out of the business, or under control.

When stability, uniformity, and responsibility are made requisites of motor service operations, when railroads further co-ordinate their services with trucks and buses; when order is brought out of the present chaos, then we can expect that the new dispensation will have proved of more than casual importance to the manufacturers of trucks and buses. It is always more profitable and satisfactory to do business with responsible and stable companies. Furthermore, if the use of trucks and buses is to increase appreciably the greater prospects will be developed under the new system. Finally, the regulations to be promulgated regarding safety of equipment may well make for a greater standardization. And we have learned that this means greater profits. On the whole, trucks and bus manufacturers ought to feel optimistic.

S E C Surprises Both Friend and Foe

(*Continued from page* 539)

one of the rarest "kicks" received by the Commission from the public.

The bulk of the authority entrusted to the Commission regarding the regulation of stock exchanges and the trading in securities remains to be exercised after study of the practices to be regulated or outlawed. The subjects under exhaustive examination are (a) determination of the nature of the aggregate indebtedness of a broker and the maximum percentage of such indebtedness to net capital (b) hypothecation by brokers of customers' securities, (c) pegging, fixing or stabilizing of securities, (d) puts, calls, straddles and other options, (e) short selling, (f) stop-loss orders.

Rules were suggested to the exchanges to restrict the advantage of the floor trader over members of the public in the execution of orders. These suggestions were adopted by the New York Stock Exchange and are now in course of adoption by the other exchanges. The Federal Reserve Board has long since promulgated the margin rules, but the Commission is studying the part it should play in the enforcement of those rules, and the method thereof. Tentative rules regarding the solicitation of proxies have been drafted.

Over-the-Counter markets are being studied for the purpose of drafting regulations of them in accordance with Section 15 of the Exchange Act. All dealers in such markets (numbering perhaps, 7,000) are required to be registered by October 1, and also to register securities in which they deal. Rules were issued prescribing minimum standards of ethics and practices for dealers.

Congress directed the Commission to investigate and report to it concerning several stock marketing topics. One of these investigations, that relating to rules of national securities exchanges, was completed last January. It made eleven recommendations, chiefly directed toward the elimination of practices making possible the perpetual control of an exchange by a small group and for improving methods of adjusting disputes between exchange members and their customers. Legislation was not asked for, as it was expected that the exchanges would voluntarily adjust themselves, which has been done.

The Securities Act directed a study of the protective committee racket, which has flourished so rankly in the

reorganization of the wreckage left by the business storms of the last few years in commerce, industry and finance. This study will be ready for a report to Congress in January and will be accompanied by a recommendation for the enactment of corrective legislation, designed to protect security owners from protective committees.

A report is to be made at the next session of Congress regarding the feasibility and desirability of completely segregating the functions of broker and dealer. A number of investigations have been made to uncover and prevent fraudulent and manipulative operations in defiance of the substantive provisions of the Exchange Act. The Commission at all times closely watches trading on the principal exchanges with a view to detecting such transactions, and it is also on the job of watching markets other than those of national security exchanges and preliminary steps have been taken to investigate the methods followed in distributing securities registered under the Securities Act of 1933, which in midyear totaled $665,000,000, and promises to grow freely with expanding business requirements.

A special investigation is being made of investment trusts.

Helping Law Observance

The checking up of complaints involves much arduous labor, and the Commission has adopted the welcome and novel practice of interpreting the law in advance to meet the particular problems of corporations or others who wish to be sure they are right before they go ahead. The Commission's general counsel is authorized to advise and interpret as well as to prosecute, and likewise the registration division. The interpretative work has become in fact the major part of the activity of the legal division, which presents a great contrast with the legalistic "upstageness" of some other administrative agencies of the Government. As the Commission has seven regional offices, in all of which interpretation is cordially offered, the facilities for public enlightenment before the event are exceptional.

The Commission has recently set up a securities complaint interchange bureau which operates in confidential relations with official and semi-official anti-fraud agencies throughout the country and maintains a sort of rogues' index.

The markets are being studied with respect to long-range economic trends and fluctuations for the purpose of checking on the effect of forms, rules and regulations, with the object in mind of corrective legislation if needed.

The recently passed utilities regulation law, death sentence and all, has been placed under the Administration of S E C, despite its unwillingness to undertake such a vast and thankless task. But since the holding companies are doomed to dangerous surgical operations if not to execution, they could not have found elsewhere in the governmental machinery a more considerate jailer or a more gentle executioner. The appointment of J. D. Ross, a utility engineer and believer in public ownership, to the vacant place on the Commission implies that he will be particularly charged with the new utilities division of the Commission, but it does not necessarily mean that the Commission will be less judicial and conservative in its utilities administration.

The Commission feels that its work so far has been highly beneficial to the investor and that it has not been unduly detrimental to the interests of business enterprises affected by either or both of the laws it is administering.

Friendly critics of the Commission maintain that the stock market is now more nearly a true reflection of business, general and particular, than formerly, that it is far freer from manipulative control by insiders than ever before, that directors are more interested and more concerned about their companies, that registration and current reports are helpful all around, that state blue-sky laws have been backed up, that the Commission has in no way challenged the actual market system, and that the markets pretty much run as they always have, except that now they must operate under rules and laws which express the aspirations and principles of all fair and honest speculators, investors, brokers, dealers and corporation executives.

International Nickel Co. of Canada, Ltd.

(*Continued from page 550*)

with nickel in Bayonne, N. J., has another one under construction in Birmingham, England, and has just announced plans for a copper research laboratory at Copper Cliff, Ontario, to further the development of its copper production, just as nickel has been handled. Copper, of course, is extremely important to International Nickel, as may be realized from the fact that last year the company sold almost 200,000,000 pounds of it. The improved demand that is now developing for this last metal, together with some reduction of the excessive stocks and a tendency for the price to rise, are bright features of the outlook for International Nickel.

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	Low	Recent Price
Alum. Co. of Amer	65	32	60½
Amer. Cyanamid B (.40)	24⅞	15	24¾
Amer. Gas & Elec. (*1.40)	39⅛	16⅝	34¾
Amer. Lt. & Tr. (1.20)	16½	7⅝	13½
Amer. Superpower	3¼	½	2⅛
Assoc. Gas Elec. "A"	2⅛	¼	1⅛
Atlas Corp. (†.30)	13¾	7⅜	12¾
Cities Service	2⅞	¾	2⅛
Cities Service Pfd.	27⅝	6⅛	19⅞
Cleveland Elec. Illum. (2)	47½	23½	44¾
Colum. G. & E. cv. Pfd. (5)	88	32	80½
Commonwealth Edison (4)	86	47¼	81½
Consol. Gas Balt. (3.60)	89¾	52⅝	81¾
Cord Co:p	4¾	2⅛	4⅜
Crane Co	17½	7	16½
Creole Petroleum	18⅞	10	17⅞
Distillers Cp. Seag	25⅞	13⅝	25¾
Elec. Bond & Share	20⅜	3½	13⅜
Elec. Bond & Share Pfd. (6)	78	37½	68¾
Elec. Pr. Assoc. A	6½	2½	4⅞
Fisk Rubber	11¼	5½	6⅛
Ford Mot. of Can. "A" (1¼)	32⅛	23⅜	25⅞
Ford Motor, Ltd. (†.10)	9¼	7⅛	8¼

Name and Dividend	1935 Price Range High	Low	Recent Price
General Tire	71½	38	44
Glen Alden Coal (*1)	24	13⅝	19⅝
Great A. & P. Tea N.-V. (*6)	140	121	130
Gulf Oil of Pa	74¾	50¼	61¼
Hudson Bay M. & S. (†.50)	16¼	11½	16
Humble Oil (1)	64	44	56⅜
Imperial Oil (*.50)	22½	15⅞	19¾
Lake Shore Mines (*2)	58	47⅜	49⅜
Mead-Johnson & Co. (*3)	75	55	74¾
National Sugar Ref. (2)	35	25⅝	25⅝
Niagara Hudson Pwr	8¾	2½	7⅝
Novadel-Agene (2)	27½	18¾	26¼
Pan-Amer. Airways (1)	44¼	36	39⅞
Pepperel Mfg.	89½	52¾	63
Pitts. Pl. Glass (*2)	81¾	46¾	75¾
Sherwin-Williams (4)	107¾	84	107¾
South Penn Oil (1.40)	28⅜	21⅝	25⅜
Swift Int'l (2)	36¼	28½	31
United Founders	1⅛	¼	⅞
United Lt. & Pwr. A.	3½	⅝	2¼
United Shoe Mach. (*2½)	85	70	83
Walker Hiram H. W.	32⅝	23½	27¾

* Includes extras. † Paid this year.

Paramount Pictures

(*Continued from page 547*)

the reorganization will have to be absorbed by current earnings, but an estimate of something between 75 cents and $1 a share for the junior stock would not seem excessive. The capital structure of the company is such that considerable leverage is given to the common stock, so that in a period of rising earnings per-share results would gain rapidly. Conversely, a decline in net would produce an appreciably greater decline in earnings for the common.

The reorganization of Paramount was by no means confined to a revision of the financial setup. Of almost equal importance, as bearing upon the company's future prospects, have been the sweeping changes in the management. For one thing, the company's former bankers, Kuhn, Loeb & Co., are no longer represented on the board of directors; Mr. Hertz is again identified with the company as a member of the board; Atlas Corp., the largest investment trust, is represented in the person of its president, Floyd B. Odlum; and the remaining personnel of the board is made up of an imposing array of successful and conservative bankers and business men. Considerable importance attaches to the presence particularly of two new executives not heretofore associated with the company: Harold A. Fortington, chairman of the executive committee, represents important British interests, whose election is noteworthy in view of the recent trend of English capital into the American film industry. Chosen for president was John E. Otterson, who for a long time has headed Electrical Research Products, Inc., the subsidiary of American Tel. & Tel., which has given that company a dominant position in the sound equipment field. No one can doubt that these changes in the executive personnel foreshadow important innovations in the company's producing and distributing activities.

Judging by the record array of feature productions announced for the current season, the entire industry is concentrating upon the making of better films. Following the drive for cleaner pictures last year, the industry awoke to the fact that the public was much more interested in quality films, which neither offended its taste or intelligence. Since then producers have turned their attention to the production of feature releases based on popular novels and standard classics, stage successes and operas, with gratifying results. The average cost of producing this type of feature may be somewhat larger, but increased costs entailed in the interests of improved quality may be largely offset by increased patronage at the box-office. With the advent of cooler weather, theater attendance should pick up considerably and with increased public purchasing power, some advance may be made in admission charges. The exhibiting end of the industry has yielded scant profits in recent years and various competitive tactics have curtailed both gross and net. With the necessity of reorganizing theater subsidiaries and adjusting rentals, practically completed, the industry is now in a better position to push for larger box-office returns.

The new Paramount Pictures company comes into existence at a time when the industry gives every indication of recovering its former profitable status, and fully equipped with an able directorate, ample working capital and a supportable capitalization, the company should develop earning power fully in keeping with its dominant position in the film industry. If such proves to be the case, the company's various securities will gain both in quality and value. As of August 28, 1935, the company's securities—6% debentures, first and second preferred shares and common stock were listed on the New York Stock Exchange.

Significant Foreign Events

(*Continued from page 541*)

tionary agitation. These outposts are destined later to serve a definite purpose in the future conflict in Central Asia. Located on the borders of British India, these centers are admirably adapted as Soviet zones of influence to undermine the supremacy of the European powers in Far East. It is obvious enough that this ideology may lead either Russia or Japan to excesses or to outbursts of foolhardy Chauvinism, which will constitute perhaps a far greater menace to Europe than the present colonial ambitions of Italy in Abyssinia.

* * *

American Neutrality

Our neutrality stand as set forth in recent legislation has excited considerable European comment. Granting the prudence of a doctrine formulated to prevent entanglements in future wars, the American attitude, according to the majority of European observers, is fraught with inconsistencies. Until February 29 of next year, the President must declare a ban on the supplies of arms, ammunitions and implements of war to belligerent countries. What constitutes implements of war is a matter of definition. In what category do such materials as minerals, oil and cotton stand?

Recent resolutions failed to take into account the situation which might arise if American ships carrying ordinary merchandise were stopped by a League blockade. Even if a complete export embargo were put in effect by government action, the more cynical European commentaries reveal a certain skepticism as to the maintenance of such an embargo in the face of soaring prices engendered by a war demand.

For Profit and Income

(Continued from page 545)

established liquor companies should report a very satisfactory year. Competition, of course, is growing keener and the industry still is in a period of transition, but the fundamental progress made by the sounder companies has been really remarkable. For the first six months of this year, National Distillers earned $2,882,706, which was equivalent to $1.41 a share on 2,038,897 shares of stock. Schenley for the same period earned $3,030,652, or $2.88 a share on 1,050,000 shares of common stock. Distillers Corp.-Seagrams has made no report later than that for the three months to October 31, 1934. One cannot, of course, estimate accurately earnings for the third quarter, but they should not be much less than half those reported for the six months, while the final quarter will be much better.

Happening in Washington

(Continued from page 527)

with the party names and symbols meaning little to thoughtful men and women.

President Roosevelt remains serene and happy despite the desertion of many old political friends and the loss of his one-time moral leadership. His legislative successes, amazing in their number and nature, are ample compensation to him for decline of the general good will and admiring respect he enjoyed for more than a year.

He is apparently joyous and unworried, and his physical condition, as witnessed by the comment of all his intimates, is one of superb good health and unimpaired energy. Among his opponents there is none who can personally compare with him as a leader in respect of personality, or, of course, in prestige.

Supreme Court will have the spotlight over both the President and the numerous and sensational executive agencies during the next three months, and will vie with Congress and the President for public illumination during the first months of 1936.

Potato Control illustrates the pyramiding tendencies of all business regulation by government. Restricting other crops stimulated potato production, and so it became politically necessary to do something for the "oppressed" potato growers. Doubtless, potato restriction will boom some other crop, and A A A will be compelled to take on something else. But restricted potatoes mean restricted menus in millions of families, and they, too, have votes. The chances are that potato control will not control as intended. If it does it will enrage millions of voting housewives—already hard put to it to find meat items for the daily fare—: if it fails the potato raisers will be as mad as the potato eaters will be if it succeeds.

In a democracy economic control inevitably becomes politics, and petty politics at that.

Cynical side-lines Washington laughs raucously at talk of balancing the budget in 1937; or even in 1938 if unemployment has not been eradicated by that time. And it will not be: unemployment has become a habit as well as an inevitability. The will to work has been forever lost by many unfortunates, and there will be an increasing lag between lost jobs at old employments and regained jobs in new employments. On the other hand, as revenues begin to flow in from taxes on wages and payrolls the unemployed

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, August 26	82.06	128.99	35.72	104.19	102.62	1,455,610
Tuesday, August 27	81.63	126.81	34.73	104.63	101.69	2,125,720
Wednesday, August 28	81.52	126.61	34.63	102.38	101.04	1,390,230
Thursday, August 29	81.40	126.95	34.83	102.57	101.97	903,640
Friday, August 30	81.45	127.35	34.92	102.51	101.94	830,730
Saturday, August 31	81.60	127.89	35.20	102.88	102.35	491,380
Monday, September 2	HOLIDAY—EXCHANGE CLOSED					
Tuesday, September 3	81.62	127.27	35.07	103.05	101.89	904,080
Wednesday, September 4	81.71	128.46	35.62	103.12	101.61	1,002,140
Thursday, September 5	81.93	129.34	36.01	104.78	103.22	1,891,670
Friday, September 6	82.19	130.75	36.72	105.25	103.94	2,155,740
Saturday, September 7	82.28	131.86	36.94	106.46	105.16	1,289,960

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	68	71
Babcock & Wilcox (.40)	43½	45½
Canadian Celanese	19	20½
Colt Fire Arms (*1¼)	36	37¼
Crowell Publishing Co. (*1½)	34½	36
Dictaphone Corp. (1½)	31¼	34¼
National Casket (5)	....	45
Northwestern Yeast (8)	97½	100
Scovil Mfg. (1)	26	27
Singer Mfg. Co. (*11)	285	289
Wilcox & Gibbs	20	23

PUBLIC UTILITIES	Bid	Asked
Alabama Power Pfd. (7)	73½	75
Carolina Power & Light Pfd. (7)	87	88½
Central Maine Power Pfd. (7)	53	56
Columbus Rwy. Pwr. & Lt. Pfd. (6)	97	99
Consumers Power Pfd. (6)	104½	105½
Dayton Power & Light Pfd. (6)	111	113
Jersey Central Pwr. & Lt. Pfd. (7)	82	86
Kansas Gas & Electric Pfd. (7)	103½	105
Metropolitan Edison Pfd. (6)	100	101
Nebraska Power Pfd. (7)	110	112¼
New Jersey Pwr. & Lt., Pfd. (6)	95	....
Ohio Public Service Pfd. (7)	95	96½
Pacific Gas & Elec. Pfd. (1.50)	27¼	27¾
Pacific Power & Light Pfd. (7)	68½	70
Puget Sound Pwr. & Lt. Pfd.	34¼	35¾
Tennessee Elec. Power Pfd. (6)	63½	65
Texas Power & Light Pfd. (7)	92½	94½
Utilities Pwr. & Lgt. Pfd.	13½	15

TELEPHONE & TELEGRAPH	Bid	Asked
American Dist. Tel., N. J. (4)	88¼	....
Mountain States Tel. & Tel. (8)	125	129
Northwestern Bell Pfd. (6½)	115	116½
Peninsular Telephone	10¾	11½
Southern New England Tel. (6)	118	120

* Includes extras.

will decline as an emergency problem requiring extraordinary appropriations.

Modernization of homes is becoming installment buying and F H A appears as a booster of consumer spending. This is an unforeseen factor for inflation. You can buy almost anything with F H A insurance (on the uneasy payment plan) needed for home equipment except, carpets, rugs, pictures, furniture, hand-brooms and bedding. The Government is encouraging its people in many ways to get as deep into debt as it is itself—1936 must hum, even if later years are on the bum.

How to Invest $25,000

(*Continued from page* 535)

man who orders current income, however, must be willing to forego something and in this case it happens to be some of the potentialities to be found elsewhere and, to a lesser extent, the extremely high degree of safety which lies in buying the best.

The final list is frankly speculative; its fundamental objective is quite distinct from the first two. It ignores income and, to a large extent, the safety factor in individual securities. It is a list which assumes its owner to have other resources of some kind and also assumes a firm conviction that general business is to improve still further. The weight of the evidence is all on the side of business betterment and the third table, taken as a whole, should make very substantial profits for its owner. On the other hand, should present promise *not* materialize, it is not a portfolio that one would care to hold through a major decline.

At the risk of some reiteration, we repeat that none of these three programs is intended to be taken over in toto. We merely present them and the reasoning which has gone into their building in the hope that individual investors here and there will manage to evolve satisfactory adaptions — adaptions suitable to their own and their families needs.

Escape from the Dilemma of Cotton

(*Continued from page* 537)

involving permanent tenancy and crop diversification. In other words, flax production, in all that part of the South where soil and climate suit, would mean the salvation of agriculture, if the A A A would keep its hands off.

If one were prepared to offer to any of the large distributors of textiles in any of our cities a million full size sheets of a fineness and at a price approximating that of the percale sheet the housewife buys now, the only question would be as to additional millions. Also every bushel of seed not used for planting would have a market eager to take such domestic production instead of the flax seed we now import.

We all are familiar (not as much so as many of us would like to be) with Irish linen, Brussels lace, and other similar importations.

In 1934 we imported flax, raw and made up, amounting to more than $23,500,000. There is no reason why in the multiplication of this use of linen, agriculture should not find a solid step toward freeing itself from governmental control and dole.

Flax fiber is an important item in international trade. Neither Ireland, Belgium nor Scotland grow anything like enough fiber to supply their looms. The following table shows Russia and India to be far and away the greatest producers and exporters.

	Acreage in 1000 Acres 1935	1934
Germany	51	22
Austria	—	4
Bulgaria	10	4
France	56	58
Czechoslovakia	28	23
Canada	217	227
India	3,381	3,261
Russia (USSR)	5,100	5,200

These figures are from the International Review of Agriculture (Rome) issue for June, 1935.

In our own country we grow flax on "breaking" for the seed. "Breaking" is new land under the plow for the first time. Such flax is cut like any grain, threshed and the straw usually burned to get rid of it, the real object being to break up the sod newly turned over and prepare the ground for a grain crop.

There is thus a place for one new major industry in the South and a foundation available on which to build up a vitally needed system of diversified, self-sufficient farmsteads. The agricultural snarl in which we find ourselves, killing our cattle and importing meat, restricting acreage and importing grains, killing pigs and paying through the nose for our breakfast bacon, holding cotton above world price and filling our warehouses while foreign growers increase their acreage, all of this is, let us hope, beginning to teach us that among the foundation stones necessary for our prosperity is a free and independent, self sufficient agriculture.

In the Next Issue

What Industry is Next in Government's War on Business?

By John C. Cresswill

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With Our Readers

Sirs:

So the President is going to give business a "breathing spell." Magnanimous of him, don't you think? About the time Mr. Roosevelt's letter to Mr. Howard was published my interest happened to be caught by another item in the newspaper, a very brief and unimportant little item. Over in a New Jersey court a woman was seeking a divorce, claiming her husband was a wife-beater. It seems he was a very considerate wife-beater. He beat her until she was faint and groggy, then he gave her some strong black coffee and let her rest a while—after which he beat her some more. No doubt I'm a Tory and a reactionary and an old meany, but I can't help wondering a little bit about the enduring quality of Mr. Roosevelt's sudden consideration for business.—R. L. P., Troy, N. Y.

Sirs:

The New Deal may have made its mistakes but if they were as vital as you critics in Wall Street seem to think how is it that business is showing the best recovery in several years and the stock market is having almost a boom? Business is scared and uncertain! Business has the jitters! You'd think there wasn't a wheel turning in our factories. As for the stock market, what has become of all the gloomy discussion about how when the S E C got on the job there wouldn't be any more speculative activity? Except for the Republican politicians, I don't hear any clamor about the sad fate of the re-valued dollar. I don't see the public doing any worrying about the dollar. Then take the utility policy that some say is going to put utilities on the rocks. Maybe it will put some of them on the rocks—where they belong—but I notice that the industry as a whole is today selling practically as much electricity as it did in 1929 and still is making reasonable profits out of it. The trouble is that it all depends on whose ox is gored. Some folks are very glad to take help from the government but don't want anybody else to get it. Business likes the tariff and reciprocal trade agreements and government help for housing and also likes to get government orders. But business gets the jitters and hollers "unconstitutional" when Roosevelt tries to lend a hand to the farmers and to the workers. As for the heavy spending, the biggest part of it is for relief of unemployment. What can be done about this? I bet if some of the critics of the spending were having to live on these small Federal payments they wouldn't think it was extravagance.—J. L., Davenport, Iowa.

Sirs:

In his recent statement promising a halt in governmental experimenting President Roosevelt said, according to the verbatim text printed in the papers: "Unemployment is still with us, but it is steadily diminishing." On the same day in the same newspaper and also on the first page General Johnson, of N R A fame, stated that unemployment today is worse than ever before, despite improving business. In the face of such contradictions from those in high places what is the man in the street to believe? What are the facts?—J. D., New York City.

All statistics of unemployment are estimates and the estimates vary considerably. Nevertheless, if one averages all of the accepted estimates, the consensus is that unemployment today is moderately greater than it was a year ago, even allowing for the normal annual increase in total of potential workers as young people reach adult age. Certainly aggregate re-employment thus far has not been proportionate to the past year's gain in general business activity. The heart of the problem continues to be sub-normal volume in construction, the heavy industries and foreign trade, together with the service industries—including railroads—which are importantly affected by depression in these three.—Ed.

Sirs:

You express an opinion editorially in your issue of August 31 that the new Public Utility Law is not quite as fearsome as it might have been. Nevertheless I am considerably disturbed over it for my investments are heavy in this industry. Perhaps you are right that we can expect an intelligent administration of the Law under the S E C. Such a view is borne out by the way in which they have handled the many problems surrounding the Securities Act. But, everything depends on personnel. The latest appointment to the board, that of John D. Ross, is not particularly encouraging for he is a known public ownership advocate and naturally will be inclined toward harshness in his judgment on utility matters.

It is being commonly said that many holding companies can consolidate their position and conform to the requirements of the new legislation by disposition of certain remote properties. But, when it is known that a given property is to be disposed of, how can it be expected that it will bring anywhere near its true value? How can it mean anything else but a terrible loss to security holders?—C. P. C., Baltimore, Md.

It is true that a sound administration of the Public Utility Law depends on a sympathetic understanding of the problem by the S E C Commissioners. Mr. Ross is reputed to be an advocate of public ownership but it is unlikely that he will have full sway in administering the provisions of the Act, although it is to be expected that he will have a place on that division of the S E C handling public utility affairs. We expect cautious and deliberate action from the Commission pending the test of the constitutionality of the Act before the Supreme Court. As indicated in our issue of September 14, we believe the Act will be found unconstitutional. Meanwhile, some changes in holding company interests will undoubtedly take place, making toward greater simplification. It may be possible to work out favorable exchanges of properties between systems which will result in greater geographical consolidation. In this way some of the losses which you fear might be alleviated. The whole subject as it affects security holders in the industry is covered in the discussion of leading companies and their issues in this number of the Magazine.

Sirs:

As I see it the real issue is not whether we should change the Constitution—for we have changed it fairly often for specific reasons—but whether we should give the New Deal a blank check. Vague talk about changing the Constitution is one thing. Writing the specific amendment or amendments is the nub of the matter. Will Roosevelt risk it?—Y. L. R., Anniston, Ala.